

Flaherty & Crumrine/CLAYMORE PREFERRED SECURITIES INCOME FUND INC

Form N-30B-2

October 23, 2006

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND

To the Shareholders of the Flaherty & Crumrine/Claymore Preferred Securities Income Fund ("FFC"):

During the Fund's 3rd fiscal quarter, the economy slowed from its rapid growth earlier in the year and, for the first time in two years, the Federal Reserve paused in its ratcheting up of short-term interest rates. In this environment, the Fund performed very well, earning a total return of +3.3% on its net asset value (NAV) in the three months ended August 31st and +5.4% over its fiscal year-to-date.

In a reversal of the weak markets for Treasury securities earlier in the year, when the Fund's hedging strategies contributed significantly to results, long-term interest rates declined during the recent fiscal quarter and the interest-rate hedge proved unnecessary. However, as always, we follow the Fund's investment strategy of maintaining the hedge in place, while attempting to control its cost. Doing so helps protect the value of the Fund's holdings against significant increases in long-term interest rates and potentially results in an increase in the Fund's distributable income. During the recent fiscal quarter, the Fund's NAV performed very well, even after absorbing the cost of the hedge.

Conditions in the market for preferred securities continue to be positive. This market is somewhat amorphous, so we find it useful to break it down into smaller groups of similarly-structured issues. Fully taxable or "hybrid" preferred securities comprise the lion's share of the preferred market, and this segment continues to grow rapidly. Over \$24 billion of new taxable preferred securities have come to market in 2006. Income from these issues is taxed as ordinary income to investors and is a deductible expense for the issuer. As of August 31st, 71% of the Fund's portfolio was invested in fully-taxable preferred securities.

Much of the recent growth in taxable preferred securities has come from issuance of "enhanced" preferreds. These issues have certain terms and conditions which may result in better credit ratings for the issuer (which in turn helps keep their borrowing costs down). Since most of these features favor the issuer, investors should require a higher return. In our view, too often this is not the case. As a result, the portfolio's allocation to enhanced preferreds has increased at a much slower pace than that of the overall market.

The market for traditional preferred stock (issues that pay dividends and may have tax advantages to certain investors which the Fund can pass through to its shareholders) has been delivering strong relative returns for some time. As of August 31st, this type of security comprised 17% of the Fund's portfolio.

Since the beginning of 2006, fourteen new traditional preferred stock issues totaling \$5.7 billion have been brought to market (increasing the sector total by roughly 10%); the additional supply has helped focus interest on traditional preferred stock and appears to have attracted new investors. Several of these recent issues have dividend rates that adjust every quarter to reflect changes in short-term interest rates. This floating-rate feature fits the Fund nicely because it tends to offset changes in the cost of the Fund's leverage and requires only a minimal interest-rate hedge. However, unless the level of income we can earn on this type of security goes up, we don't anticipate increasing the Fund's holdings much beyond present levels.

While changes in short-term interest rates affect the valuation of some of the Fund's securities (and therefore its NAV), short-term rates more directly

Outstanding 42,601,719

INDUSTRY CATEGORIES % OF PORTFOLIO

[GRAPHIC OMITTED]
EDGAR REPRESENTATION OF DATA POINTS

Banks	35%
Utilities	26%
Insurance	18%
Financial Services	11%
Oil and Gas	4%
REITs	4%
Other	2%

MOODY'S RATINGS % OF PORTFOLIO

AAA	0.3%
AA	1.8%
A	28.8%
BBB	50.9%
BB	11.2%
B	0.5%
Not Rated	5.6%
Below Investment Grade*	11.3%

* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P.

TOP 10 HOLDINGS BY ISSUER % OF PORTFOLIO

Wachovia Corp.	3.8%
JPMorgan Chase	3.4%
ACE Ltd.	2.9%
North Fork Bancorporation	2.9%
HSBC	2.8%
Midamerican Energy	2.6%
Morgan Stanley	2.5%
HBOS Plc	2.4%
Washington Mutual	2.4%
Countrywide Financial	2.3%

% OF PORT

Holdings Generating Qualified Dividend Income (QDI) for Individuals
 Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)

** THIS DOES NOT REFLECT YEAR-END RESULTS OR ACTUAL TAX CATEGORIZATION OF FUND DISTRIBUTIONS. THE PERCENTAGES CAN, AND DO, CHANGE, PERHAPS SIGNIFICANTLY, DEPENDING ON MARKET CONDITIONS. INVESTORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THEIR PERSONAL SITUATION.

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- 85.1%
 BANKING -- 35.4%

\$ 19,000,000	Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B.....
	Auction Pass-Through Trust, Cl. B:
65	Series 2006-5, Variable Rate Pfd., 144A****.....
65	Series 2006-6, Variable Rate Pfd., 144A****.....
40,000	BAC Capital Trust I, 7.00% Pfd. 12/15/31
10,400	BAC Capital Trust II, 7.00% Pfd. 02/01/32
20,400	BAC Capital Trust VIII, 6.00% Pfd. 08/25/35
\$ 1,240,000	BankBoston Capital Trust I, 8.25% 12/15/26 Capital Security
\$ 3,155,000	BankBoston Capital Trust II, 7.75% 12/15/26 Capital Security, Series B
1,800	Bank of New York Capital IV, 6.875% Pfd., Series E
77,900	Bank One Capital Trust VI, 7.20% Pfd.
\$ 8,800,000	Barclays Bank PLC, Adj. Rate Pfd.
210,000	Capital One Capital II, 7.50% Pfd. 06/15/66
\$ 17,500,000	Capital One Capital III, 7.686% Pfd.
\$ 120,000	Citicorp Capital II, 8.015% 02/15/27 Capital Security
6,600	Citigroup Capital VIII, 6.95% Pfd. 09/15/31
105,000	Cobank, ACB, 7.00% Pfd., 144A****
27,900	Comerica (Imperial) Capital Trust I, 7.60% Pfd. 07/01/50
\$ 800,000	CoreStates Capital Trust I, 8.00% 12/15/26 Capital Security, 144A****
\$ 11,000,000	Cullen/Frost Capital Trust I, 8.42% 02/01/27 Capital Security, Series A
\$ 2,500,000	Dime Capital Trust I, 9.33% 05/06/27 Capital Security, Series A
28,800	FBOP Corporation, Adj. Rate Pfd., 144A****
\$ 5,600,000	First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A****
\$ 875,000	First Chicago NBD Capital B, 7.75% 12/01/26 Capital Security, 144A****
\$ 3,000,000	First Midwest Capital Trust I, 6.95% 12/01/33 Capital Security
	First Republic Bank:
400,000	6.25% Pfd.....
30,000	7.25% Pfd.....

	62,600	Fleet Capital Trust VII, 7.20% Pfd. 12/15/31
	110,200	Fleet Capital Trust VIII, 7.20% Pfd. 03/15/32
	6	FT Real Estate Securities Company, 9.50% Pfd., 144A****
\$	37,550,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security
		HBOS Capital Funding LP:
\$	30,725,000	6.85% Pfd
\$	5,500,000	Variable Rate Pfd., 144A****
	7,500	HSBC Series II, Variable Inverse Pfd., Pvt.
	645,000	HSBC USA, Inc., 6.50% Pfd., Series H

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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 BANKING -- (CONTINUED)

		ING Groep NV:
	36,000	7.05% Pfd.....
	143,900	7.20% Pfd.....
\$	15,343,000	JPMorgan Capital Trust I, 7.54% 01/15/27 Capital Security
\$	11,271,000	JPMorgan Capital Trust II, 7.95% 02/01/27 Capital Security
	16,200	JPMorgan Chase Capital X, 7.00% Pfd. 02/15/32, Series J.....
	147,800	JPMorgan Chase Capital XIV, 6.20% Pfd., 10/15/34.....
\$	10,710,000	JPMorgan Chase Capital XVIII, 6.95% 08/17/36 Capital Security, Series R.....
	23,800	Keycorp Capital V, 5.875% Pfd., Series A.....
	20,000	Keycorp Capital VIII, 7.00% Pfd. 06/15/66.....
\$	20,280,000	Marshall & Ilsley Capital Trust A, 7.65% 12/01/26 Capital Security.....
	20	Marshall & Ilsley Investment II, 8.875% Pfd., 144A****.....
\$	3,000,000	North Fork Capital Trust I, 8.70% 12/15/26 Capital Security.....
	265,000	PFGI Capital Corporation, 7.75% Pfd.....
\$	6,500,000	RBS Capital Trust B, 6.80% Pfd.....
\$	7,200,000	Republic New York Capital I, 7.75% 11/15/26 Capital Security.....
\$	6,992,000	Republic New York Capital II, 7.53% 12/04/26 Capital Security.....
		Roslyn Real Estate:
	40	8.95% Pfd., Series C, 144A****.....
	135	Adj. Rate Pfd., Series D, 144A****.....
	534,000	Royal Bank of Scotland Group PLC, 5.75% Pfd., Series L.....
	63,700	Sovereign Bancorp, 7.30% Pfd., Series C.....
	248,100	Sovereign Capital Trust V, 7.75% Pfd. 05/22/36.....
\$	10,000,000	Sovereign Capital Trust VI, 7.908% 06/13/36 Capital Security.....
	45,000	SunTrust Capital IV, 7.125% Pfd. 10/15/31.....
	5,800	SunTrust Capital V, 7.05% Pfd. 12/15/31.....
\$	14,167,000	Union Planters Capital Trust, 8.20% 12/15/26 Capital Security.....
	60	Union Planters Preferred Funding, 7.75% Pfd., Series 144A****.....
	115,200	USB Capital IV, 7.35% Pfd. 11/01/31.....
	14,300	USB Capital V, 7.25% Pfd. 12/15/31.....
	127,600	USB Capital VIII, 6.35% Pfd. 12/29/65.....
	64,600	USB Capital X, 6.50% Pfd. 04/12/66.....

	23,500	VNB Capital Trust I, 7.75% Pfd.....
	2,010,800	Wachovia Preferred Funding, 7.25% Pfd., Series A.....
\$	20,750,000	Washington Mutual, Inc., 8.36% 12/01/26 Capital Security, 144A****.....
\$	11,550,000	Washington Mutual Preferred Funding, Variable Rate Pfd., 144A****.....
\$	8,000,000	Webster Capital Trust II, 10.00% 04/01/27 Capital Security.....

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 FINANCIAL SERVICES -- 8.3%

	30,000	Corporate-Backed Trust Certificates, 7.75% Pfd., Series CIT Group.....
\$	15,459,000	Countrywide Capital I, 8.00% 12/15/26 Capital Security.....
	755,100	Countrywide Capital IV, 6.75% Pfd.....
		Goldman Sachs Group, Inc.:
	150,000	Adj. Rate Pfd., Series D.....
	3,600	STRIPES Custodial Receipts, Pvt.....
\$	7,000,000	Gulf Stream-Compass 2005 Composite Notes, 144A****.....
	100,000	Household Capital Trust VII, 7.50% Pfd. 11/15/31.....
		Lehman Brothers Holdings, Inc.:
	167,750	5.67% Pfd., Series D.....
	85,000	5.94% Pfd., Series C.....
	8,600	Lehman Capital Trust V, 6.00% Pfd., Series M.....
	27,800	Lehman Capital Trust VI, 6.24% Pfd., Series N.....
	4,000	Merrill Lynch Series II STRIPES Custodial Receipts, Pvt.....
	10,000	Merrill Lynch Preferred Capital Trust IV, 7.12% Pfd.....
	79,600	Morgan Stanley Capital Trust II, 7.25% Pfd.....
	773,498	Morgan Stanley Capital Trust III, 6.25% Pfd.....
	202,000	Morgan Stanley Capital Trust IV, 6.25% Pfd.....
	9,000	Morgan Stanley Capital Trust V, 5.75% Pfd.....
	389,500	Morgan Stanley Capital Trust VI, 6.60% Pfd.....
\$	10,000,000	RACERS(R) Series 2005 AMMC V Trust, 144A****.....
	160,000	SLM Corporation, 6.97% Pfd., Series A.....

INSURANCE -- 15.4%

	1,669,980	ACE Ltd., 7.80% Pfd., Series C.....
		Aegon NV:
	292,100	6.375% Pfd.....
	60,000	6.50% Pfd.....
\$	12,051,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security
		Arch Capital Group Ltd.:

167,650	7.875% Pfd., Series B.....
21,800	8.00% Pfd.....
	Axis Capital Holdings:
451,300	7.25% Pfd., Series A.....
77,655	Variable Rate Pfd., Series B
339,800	Berkley W.R. Capital Trust II, 6.75% Pfd. 07/26/45.....
106,000	Corts-AON Capital, 8.205% Pfd.....
37,000	Corts-UnumProvident Corporation, 8.50% Pfd.....

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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 INSURANCE -- (CONTINUED)

	267,900	Endurance Specialty Holdings, 7.75% Pfd.....
	134,150	Everest Re Capital Trust II, 6.20% Pfd., Series B
\$	3,500,000	Great West Life & Annuity Insurance, Variable Rate Pfd. 05/16/46.....
	111,500	Hartford Capital III, 7.45% Pfd. 10/31/50, Series C.....
	23,200	Lincoln National Corporation, 6.75% Pfd. 04/20/66.....
\$	10,000,000	Mangrove Bay Passthru Trust, 6.102% 07/15/33 Capital Security, 144A****.....
\$	9,650,000	Oil Insurance Ltd., Variable Rate Pfd., 144A****.....
	50,000	PartnerRe Capital Trust I, 7.90% Pfd. 12/31/31.....
	284,049	PartnerRe Ltd., 6.75% Pfd., Series C.....
	626,700	Principal Financial Group, 6.518% Pfd.....
\$	714,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security.....
	24,900	Prudential PLC, 6.50% Pfd.....
\$	9,000,000	Renaissancere Capital Trust, 8.54% 03/01/27 Capital Security, Series B.....
		Renaissancere Holdings Ltd.:
	116,000	6.08% Pfd., Series C.....
	308,935	7.30% Pfd., Series B.....
	15,000	8.10% Pfd., Series A.....
	94,900	Saturns-AON 2003-3, 8.00% Pfd., Series AON Corp.....
	56,000	Saturns-SAFC 2001-7, 8.25% Pfd., Series Safeco Corp.....
	407,200	Scottish Re Group Ltd., 7.25% Pfd.....
	58,950	St. Paul Capital Trust I, 7.60% Pfd. 10/15/50.....
	36,600	Torchmark Capital Trust III, 7.10% Pfd.....
\$	8,675,000	USF&G Capital, 8.312% 07/01/46 Capital Security, 144A****.....
\$	17,000,000	USF&G Capital I, 8.50% 12/15/45 Capital Security, 144A****.....
	15,000	XL Capital Ltd., 7.625% Pfd., Series B.....

 UTILITIES -- 18.3%

\$	3,750,000	AGL Capital Trust, 8.17% 06/01/37 Capital Security.....
		Baltimore Gas & Electric Company:
	10,000	6.70% Pfd., Series 1993.....

	50,000	7.125% Pfd., Series 1993.....
	820,359	Calenergy Capital Trust III, 6.50% Pfd. 09/01/27.....
	35,000	Central Maine Power, 5.25% Pfd., Pvt.....
\$	2,600,000	COMED Financing II, 8.50% 01/15/27 Capital Security, Series B.....
\$	17,645,000	COMED Financing III, 6.35% 03/15/33 Capital Security.....
	85,630	Dominion CNG Cap Trust I, 7.80% Pfd.....
\$	10,175,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 Capital Security.....
	10,000	Dominion Resources Capital Trust II, 8.40% Pfd. 01/30/41.....

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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 UTILITIES -- (CONTINUED)

\$	12,250,000	Dominion Resources Capital Trust III, 8.40% 01/15/31 Capital Security.....
\$	6,000,000	Dominion Resources, Inc., Adj. Rate, Capital Security.....
	96,450	Duquesne Light Company, 6.50% Pfd.....
		Entergy Arkansas, Inc.:
	10,240	4.56% Pfd., Series 1965.....
	625,000	6.45% Pfd.....
	85,000	Entergy Louisiana, Inc., 6.95% Pfd., 144A****
		Florida Power Company:
	49,750	4.40% Pfd.....
	21,585	4.60% Pfd.....
	146,000	FPC Capital I, 7.10% Pfd., Series A
	12,442	Great Plains Energy, Inc., 4.20% Pfd
	37,800	Gulf Power Capital Trust III, 7.375% Pfd
	19,000	Gulf Power Company, 6.00% Pfd., Series 1
\$	17,962,000	Houston Light & Power Capital Trust II, 8.257% 02/01/37 Capital Security
	5,000	Indiana Michigan Power, 4.56% Pfd.
	119,805	Indianapolis Power & Light Company, 5.65% Pfd.
		Interstate Power & Light Company:
	110,000	7.10% Pfd., Series C.....
	11,000	8.375% Pfd., Series B.....
	32,300	Laclede Capital Trust I, 7.70% Pfd.
		Pacific Enterprises:
	4,550	\$4.40 Pfd.....
	4,510	\$4.50 Pfd.....
	23,085	\$4.75 Pfd., Series 53.....
	2,500	PacifiCorp, \$7.48 Sinking Fund Pfd.
\$	2,386,000	PECO Energy Capital Trust III, 7.38% 04/06/28 Capital Security, Series D
\$	27,000,000	PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security
	9,495	Portland General Electric, 7.75% Sinking Fund Pfd.
	3,500	PPL Electric Utilities Corporation, 6.25% Pfd.
	365,750	PSEG Funding Trust II, 8.75% Pfd.
\$	8,200,000	Puget Sound Energy Capital Trust, 8.231% 06/01/27 Capital Security, Series B
	200,000	San Diego Gas & Electric Company, \$1.70 Pfd.
		Southern California Edison:

115,750	6.00% Pfd.....
16,900	6.125% Pfd.....
7,800	Southern Company Capital Trust VI, 7.125% Pfd. 06/30/42
264,700	Southern Union Company, 7.55% Pfd.
\$ 4,200,000	Union Electric Company, 7.69% 12/15/36 Capital Security, Series A

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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 UTILITIES -- (CONTINUED)

	Virginia Electric & Power Company:
14,985	\$4.12 Pfd.....
21,684	\$4.80 Pfd.....
35,000	\$6.98 Pfd.....
189,000	Virginia Power Capital Trust, 7.375% Pfd. 07/30/42
15,000	Wisconsin Power & Light Company, 6.20% Pfd.
	Xcel Energy, Inc.:
7,110	\$4.10 Pfd., Series C.....
10,210	\$4.11 Pfd., Series D.....

OIL AND GAS -- 3.3%

\$ 16,814,000	Enterprise Products Partners, Variable Rate Pfd.....
13,200	EOG Resources, Inc., 7.195% Pfd., Series B.....
\$ 5,000,000	KN Capital Trust III, 7.63% 04/15/28 Capital Security.....
\$ 13,315,000	Phillips 66 Capital Trust II, 8.00% 01/15/37 Capital Security.....

REAL ESTATE INVESTMENT TRUST (REIT) -- 3.6%

	BRE Properties, Inc.:
76,200	6.75% Pfd., Series C.....
224,000	8.08% Pfd., Series B.....
221,750	Duke Realty Corporation, 6.60% Pfd., Series L.....
45,000	Equity Office Property Trust, 7.75% Pfd., Series G.....
51,000	Equity Residential Properties, 8.29% Pfd., Series K.....
4,980	Prologis Trust, 8.54% Pfd., Series C.....
	PS Business Parks, Inc.:
192,464	7.00% Pfd., Series H.....
160,000	7.20% Pfd., Series M.....
203,400	7.60% Pfd., Series L.....
60,000	7.95% Pfd., Series K.....

 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 REAL ESTATE INVESTMENT TRUST (REIT) -- (CONTINUED)

	Public Storage, Inc.:
12,000	6.18% Pfd., Series D.....
206,070	6.45% Pfd., Series F.....
58,400	6.75% Pfd., Series E.....
30,000	6.85% Pfd., Series Y.....
481,000	7.25% Pfd., Series K.....
14,700	7.625% Pfd., Series U.....
38,500	8.00% Pfd., Series R.....

MISCELLANEOUS INDUSTRIES -- 0.8%

2,245	Centaur Funding Corporation, 9.08% Pfd. 04/21/20 144A****.....
112,750	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****.....

TOTAL PREFERRED SECURITIES
 (Cost \$1,261,880,326)

CORPORATE DEBT SECURITIES -- 13.9%
 FINANCIAL SERVICES -- 2.4%

200,000	Ford Motor Credit Company, 7.375% 10/15/31.....
\$ 25,000,000	General Motors Acceptance Corporation, 8.00% 11/01/31, Senior Bonds.....
\$ 4,853,000	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A****.....
\$ 2,200,000	Morgan Stanley Finance, 8.03% 02/28/17, Capital Units.....
17,400	Saturns-GS, 6.00% 02/15/33, Series Goldman Sachs.....

INSURANCE -- 2.4%

239,000	Delphi Financial, 8.00% 05/15/33, Senior Notes.....
\$ 4,000,000	Farmers Exchange Capital, 7.20% 07/15/48, 144A****.....
	Liberty Mutual Insurance:
\$ 3,011,000	7.50% 08/15/36, 144A****.....
\$ 21,845,000	7.697% 10/15/97, 144A****.....
\$ 1,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes.....

UTILITIES -- 7.5%

\$ 16,000,000	AEP Texas Central Company, 6.65% 02/15/33, Senior Notes, Series E.....
\$ 11,410,000	Constellation Energy Group, 7.60% 04/01/32, Senior Notes.....

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)
 UTILITIES -- (CONTINUED)

\$ 1,000,000	DTE Energy Company, 6.375% 04/15/33, Senior Notes.....
	Duke Capital Corporation:
\$ 6,179,000	6.75% 02/15/32, Senior Notes.....
\$ 1,200,000	8.00% 10/01/19, Senior Notes.....
\$ 11,000,000	Duquesne Light Holdings, 6.25% 08/15/35.....
\$ 5,000,000	Entergy Gulf States, Inc., 6.20% 07/01/33, 1st Mortgage.....
	Entergy Louisiana LLC:
\$ 4,458,000	6.30% 09/01/35, 1st Mortgage.....
9,400	7.60% 04/01/32.....
16,500	Entergy Mississippi, Inc., 7.25%, 1st Mortgage.....
477,315	Georgia Power Company, 5.90% 04/15/33, Senior Notes.....
40,000	Northern States Power Company, 8.00%.....
	Oncor Electric Delivery Company:
\$ 2,000,000	7.00% 09/01/22.....
\$ 10,000,000	7.25% 01/15/33.....
227,000	PPL Energy Supply LLC, 7.00% 07/15/46.....
\$ 8,268,000	PSEG Power LLC, 8.625% 04/15/31.....
\$ 6,300,000	TXU Corporation, 6.50% 11/15/24.....
\$ 6,000,000	Wisconsin Electric Power Company, 6.875% 12/01/95.....

OIL AND GAS -- 1.0%

\$ 9,000,000	KN Energy, Inc., 7.45% 03/01/98.....
296,911	Nexen, Inc., 7.35% Subordinated Notes.....

REAL ESTATE INVESTMENT TRUST (REIT) -- 0.2%

\$ 3,500,000	Realty Income Corporation, 5.875% 03/15/35.....
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MISCELLANEOUS INDUSTRIES -- 0.4%

\$	390,000	BellSouth Telecommunication, 7.00% 12/01/95.....
		Pulte Homes, Inc.:
	58,240	7.375% 06/01/46.....
\$	3,550,000	7.875% 06/15/32, Senior Notes.....

TOTAL CORPORATE DEBT SECURITIES
 (Cost \$206,857,474)

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

OPTION CONTRACTS -- 0.1%

1,307	December Call Options on December U.S. Treasury Bond Futures, Expiring 11/21/06..
7,184	December Put Options on December U.S. Treasury Bond Futures, Expiring 11/21/06...
2,991	October Put Options on December U.S. Treasury Bond Futures, Expiring 09/22/06....

TOTAL OPTION CONTRACTS
 (Cost \$5,875,791)

MONEY MARKET FUND -- 0.1%

1,140,918	BlackRock Provident Institutional, TempFund.....
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TOTAL MONEY MARKET FUND
 (Cost \$1,140,918)

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 AUGUST 31, 2006 (UNAUDITED)

SHARES/\$ PAR

SECURITIES LENDING COLLATERAL -- 0.7%

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9,945,000	Institutional Money Market Trust	

	TOTAL SECURITIES LENDING COLLATERAL	
	(Cost \$9,945,000)	
TOTAL INVESTMENTS (Cost \$1,485,699,509***)		99.9%
OTHER ASSETS AND LIABILITIES (Net)		0.1%

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK		100.0%+

AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE		
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK		

-
- * Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.
 - ** Securities distributing Qualified Dividend Income only.
 - *** Aggregate cost of securities held.
 - **** Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. These securities have been determined to be liquid under the guidelines established by the Board of Directors.
 - (1) Foreign Issuer.
 - (2) All or a portion of this security has been pledged as collateral for written option positions.
 - (3) A portion of the security is on loan.
 - + Non-income producing.
 - ++ The percentage shown for each investment category is the total value of that category as a percentage of net assets available to Common and Preferred Stock.

ABBREVIATIONS:

PFD. -- Preferred Securities
PVT. -- Private Placement Securities
REIT -- Real Estate Investment Trust

OPEN OPTION CONTRACTS WRITTEN

CONTRACTS	CONTRACT DESCRIPTION	VALUE
-----	-----	-----
1,050	December Call Options on December U.S. Treasury Bond Futures, Expiring 11/21/06, Strike Price 108	\$ (3,510,
257	December Call Options on December U.S. Treasury Bond Futures, Expiring 11/21/06, Strike Price 110	(485,

	TOTAL OPEN OPTION CONTRACTS WRITTEN (Cost \$3,268,202)	(3,996,

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)
 FOR THE PERIOD FROM DECEMBER 31, 2005 THROUGH AUGUST 31, 2006 (UNAUDITED)

OPERATIONS:

Net investment income
 Net realized gain/(loss) on investments sold during the period
 Change in net unrealized appreciation/depreciation of investments held
 during the period
 Distributions to AMPS* Shareholders from net investment income,
 including changes in accumulated undeclared distributions

 NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

DISTRIBUTIONS:

Dividends paid from net investment income to Common Stock Shareholders (2)

 TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS

FUND SHARE TRANSACTIONS:

Increase from shares issued under the Dividend Reinvestment
 and Cash Purchase Plan

 NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING
 FROM FUND SHARE TRANSACTIONS

NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK
 FOR THE PERIOD

NET ASSETS AVAILABLE TO COMMON STOCK:

Beginning of period
 Net decrease in net assets during the period

 End of period

* Auction Market Preferred Stock.

- (1) These tables summarize the nine months ended August 31, 2006 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2005.
- (2) May include income earned, but not paid out, in prior fiscal year.

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period	\$ 2
--	------

INVESTMENT OPERATIONS:

Net investment income	
Net realized and unrealized gain/(loss) on investments	

DISTRIBUTIONS TO AMPS* SHAREHOLDERS:

From net investment income	
From net realized capital gains	

Total from investment operations	
--	--

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income	
From net realized capital gains	

Total distributions to Common Stock Shareholders	
--	--

Net asset value, end of period	\$ 2
--------------------------------------	------

Market value, end of period	\$ 2
-----------------------------------	------

Common Stock shares outstanding, end of period	42,601
--	--------

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income+	
Operating expenses	

SUPPLEMENTAL DATA:++

Portfolio turnover rate	
Total net assets available to Common and Preferred Stock, end of period (in 000's)	\$ 1,506
Ratio of operating expenses to total average net assets available to Common and Preferred Stock	

(1) These tables summarize the nine months ended August 31, 2006 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2005.

* Auction Market Preferred Stock.

** Annualized.

*** Not annualized.

+ The net investment income ratios reflect income net of operating expenses and payments to AMPS* Shareholders.

++ Information presented under heading Supplemental Data includes AMPS*.

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE
	-----	-----	-----
December 31, 2005.....	\$0.1400	\$22.82	\$19.30
January 31, 2006.....	0.1400	22.83	21.03
February 28, 2006.....	0.1400	22.87	21.30
March 31, 2006.....	0.1275	22.66	19.81
April 30, 2006.....	0.1275	22.34	19.76
May 31, 2006.....	0.1275	22.29	19.82
June 30, 2006.....	0.1275	22.02	19.50
July 31, 2006.....	0.1275	22.09	19.97
August 31, 2006.....	0.1275	22.64	20.50

(1) Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the payment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At August 31, 2006, the aggregate cost of securities for federal income tax purposes was \$1,493,535,933, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$26,705,627, and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$19,434,799.~

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DIRECTORS

- Donald F. Crumrine, CFA
Chairman of the Board
- David Gale
- Morgan Gust
- Karen H. Hogan
- Robert F. Wulf, CFA

OFFICERS

Donald F. Crumrine, CFA
Chief Executive Officer
Robert M. Ettinger, CFA
President
R. Eric Chadwick, CFA
Chief Financial Officer,
Vice President and Treasurer
Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary
Bradford S. Stone
Vice President and
Assistant Treasurer
Nicholas Dalmaso
Vice President and Assistant Secretary
Christopher D. Ryan, CFA
Vice President
Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary

INVESTMENT ADVISER

Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

SERVICING AGENT

Claymore Securities, Inc.
1-866-233-4001

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY &
CRUMRINE/CLAYMORE PREFERRED SECURITIES
INCOME FUND?

- o If your shares are held in a Brokerage
Account, contact your Broker.
- o If you have physical possession of your shares
in certificate form, contact the Fund's Transfer
Agent --

PFPC Inc. 1-800-331-1710

THIS REPORT IS SENT TO SHAREHOLDERS OF FLAHERTY &
CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND
INCORPORATED FOR THEIR INFORMATION. IT IS NOT A
PROSPECTUS, CIRCULAR OR REPRESENTATION INTENDED FOR USE
IN THE PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY
SECURITIES MENTIONED IN THIS REPORT.

[GRAPHIC OMITTED]

LIGHTHOUSE ART

FLAHERTY & CRUMRINE/CLAYMORE
PREFERRED SECURITIES
INCOME FUND

QUARTERLY
REPORT

AUGUST 31, 2006

www.fcclaymore.com