

Flaherty & Crumrine/CLAYMORE PREFERRED SECURITIES INCOME FUND INC
Form N-Q
October 20, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number 811-21129

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND INCORPORATED

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101

(Address of principal executive offices) (Zip code)

Donald F. Crumrine
Flaherty & Crumrine Incorporated
301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101

(Name and address of agent for service)

Registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: NOVEMBER 30, 2006

Date of reporting period: AUGUST 31, 2006

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

The Schedule(s) of Investments is attached herewith.

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 affect the Fund's income and the amount of its dividend by influencing both the cost of its Auction Market Preferred Stock (AMPS) leverage and its hedging strategy. The Fund's leverage generally produces additional distributable income for its Common Stock shareholders. The amount of this additional income is

influenced by the "spread" between the income generated by the portfolio and the cost of leverage.

As the Fed increased short-term interest rates through June 2006, these spreads narrowed significantly and the Fund generated less additional distributable income. If the Fed maintains its pause on short-term rates, and long-term rates do not decrease materially, the Fund's leverage should continue to produce the same additional distributable income as it does now. Of course, if the Fed lowers short-term interest rates, the Fund should see a greater benefit from its use of leverage and consequently have more additional distributable income for its Common Stock shareholders.

The cost of the Fund's hedging strategy is also directly affected by the slope of the yield curve (in other words, the difference between short- and long-term interest rates). When the yield curve is steep - as it was for most of the period from mid-2001 through 2004 - hedging tends to be expensive, because the market charges the difference between long- and short-term yields to those hedging. However, if the slope of the yield curve is as flat as it has been this year, the market will not charge as much to hedge and the Fund should not need to spend as much on its hedging strategy as it has over the past few years.

We hope investors will take advantage of the Fund's website, WWW.FCCLAYMORE.COM. On it, there is a more extensive discussion of enhanced hybrid preferred securities, the impact of changing short-term interest rates on the additional distributable income provided by the Fund's leverage and how the slope of the yield curve affects the cost of the Fund's hedging strategy. It also contains a wide range of additional information about the Fund.

Sincerely,

/S/ DONALD F. CRUMRINE
Donald F. Crumrine
Chairman of the Board

/S/ ROBERT M. ETTINGER
Robert M. Ettinger
President

October 19, 2006

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

FUND STATISTICS ON 08/31/06

Net Asset Value \$ 22.64

Market Price \$ 20.50

Discount 9.45%

Yield on Market Price 7.46%

Common Stock Shares
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% |

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 |

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| | |
|---------------|--|
| | 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****..... |

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\$ 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.....

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| | |
|---------|---|
| 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..... |

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| | |
|---------------|--|
| \$ 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

 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

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.....

 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..... |
|--------------|---|

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.....

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%
9,945,000 Institutional Money Market Trust

TOTAL SECURITIES LENDING COLLATERAL
(Cost \$9,945,000)

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| | |
|--|---------|
| 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, |
| | | ----- |

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
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.

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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*.

 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 FINANCIAL HIGHLIGHTS (CONTINUED)
 PER SHARE OF COMMON STOCK (UNAUDITED)

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

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND
INCORPORATED

By (Signature and Title)* /S/ DONALD F. CRUMRINE

Donald F. Crumrine, Director, Chairman of the Board
and Chief Executive Officer
(principal executive officer)

Date OCTOBER 16, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /S/ DONALD F. CRUMRINE

Donald F. Crumrine, Director, Chairman of the Board
and Chief Executive Officer
(principal executive officer)

Date OCTOBER 16, 2006

By (Signature and Title)* /S/ R. ERIC CHADWICK

R. Eric Chadwick, Chief Financial Officer, Treasurer
and Vice President
(principal financial officer)

Date OCTOBER 16, 2006

* Print the name and title of each signing officer under his or her signature.