

Flaherty & Crumrine/CLAYMORE PREFERRED SECURITIES INCOME FUND INC

Form N-30B-2

April 25, 2008

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND

To the Shareholders of the Flaherty & Crumrine/Claymore Preferred Securities Income Fund:

The Fund's performance during the first fiscal quarter of 2008, which ended on February 29th, is summarized below:

| | |
|------------------------------------|--------|
| Total Return on Net Asset Value 1: | - 1.3% |
| Total Return on Market Value 2: | - 2.1% |

While these returns were not impressive on an absolute basis, they actually were quite good given the turbulent securities markets we saw during the quarter. We believe the Fund's portfolio of investments remains sound and will continue to provide common stock shareholders with high current income.

Conditions in the financial markets remain difficult as many of the adverse trends that surfaced in the second half of 2007 have persisted during the first few months of 2008. The dramatic downturn in the housing market is clearly at the root of our current economic problems. The housing bubble, fueled by lenders willing to fund anyone who could fog a mirror, is correcting itself at a jarring pace. In addition, the impact has been magnified because the alchemists of Wall Street, with an assist from the rating agencies, took these leaden mortgages and turned them not into gold, but rather into an alphabet soup of mortgage-backed securities, some of which turned out to be toxic waste.

The Fund never invested in these structured mortgage products, but we did underestimate the impact they would have on many of the companies we own. Since the beginning of the credit crisis last year, financial companies have written off more than \$200 billion of bad loans and investments, and they have lost about 27.4%³ of their equity market value. While common equity holders will ultimately bear the brunt of these losses, the preferred securities of many financial companies have fallen sharply in market price. Financial companies comprise more than 75% of the preferred security universe, and, given the mandate of the Fund, the portfolio will always own a lot of these financial issues.

As of February 29th, 61.3% of the portfolio was invested in preferred securities of the financial sector. Commercial banks comprised 33% of the total portfolio, along with 9% in finance companies (including investment banks and brokers), 19% in insurance companies and 0.3% in the housing agencies Freddie Mac and Fannie Mae. The remainder of the portfolio is mostly utilities, other energy companies, and cash.

Another topic in the news recently is the collapse of the auction rate preferred market. A wide range of entities have issued this type of security, and for years it was an effective way to borrow money. Last fall, the auction process began to break down. In February the auction market suddenly collapsed and the long-term viability of the product became in doubt.

Many closed-end funds have issued auction rate preferred as a means to enhance income for the common shareholders. Historically, rates PAID by the Fund (on the preferred stock) have been well below what the Fund EARNS on its investments.

1 Based on monthly data provided by Lipper Inc. in each calendar month during the quarter. Distributions are assumed to be reinvested at NAV in

- accordance with Lipper's practice, which may differ from other methodology used elsewhere in this report.
- 2 Based on Bloomberg data; distributions are assumed to be reinvested at market price.
 - 3 The return on the Standard and Poor's 500 Financial index for the period 6/30/07 through 2/29/08, price change only.

As you know, FFC employs leverage and therefore has two classes of shareholders--common stock and auction market preferred stock. Both share in the income generated by the investment portfolio, but in a different way. The amount paid to holders of the preferred stock is determined periodically via a Dutch auction process. These auctions are designed to determine a rate that will "clear" the market, i.e., attract enough buyers to absorb any shares being sold. There is, however, a maximum rate at each auction based on a formula. If the maximum rate is not sufficient to attract enough buyers, the auction is said to "fail" and holders wishing to sell cannot. The terminology is unfortunate: a "failed" auction means sellers can't sell, but it has nothing to do with the Fund's ability to distribute income.

The dividend paid to common stock shareholders is simply the income left over after paying preferred stock dividends and other expenses of the Fund. Thus, the higher the rates paid by the Fund on its preferred stock, the less income available for common shareholders. Under current market conditions, even with preferred stock dividends being at the current maximum rate, THE YIELD EARNED ON THE PORTFOLIO REMAINS WELL ABOVE THE COST OF LEVERAGE.

The breakdown of the auction market is a symptom of a larger malady affecting financial markets--illiquidity. Just as banks and other traditional lenders have dramatically cut back on making certain types of loans, investors have become much less willing to part with cash. Since July 2007, additions to money market funds (a substitute for cash) have increased by nearly one trillion dollars.

And while many are hoarding cash, others are scrambling to raise it. It is clear that as a nation we had purchased too many things with borrowed money. This was obviously the case in the housing market, and now many homeowners are being forced to sell. In the securities markets, it has become apparent that many hedge funds and other investment firms were operating without sufficient capital and are also being forced to sell assets. There is ample evidence that in aggregate, hedge funds have been shrinking their investment portfolios, and we have observed several of our trading partners at brokerage firms aggressively trying to reduce their trading positions.

Another source of selling pressure has come from a steady supply of new issues, as companies have sought to shore up their balance sheets after taking big write downs. It wasn't long ago that the decision to issue new equity, whether common or preferred, was based on strategic or opportunistic factors. Now, many companies are being forced to issue to rebuild capital for defensive reasons, and they are paying rates that are historically high (in relation to risk-free U.S. Treasury securities).

Every financial bubble eventually bursts and asset prices fall to sustainable levels. Tulips and dot-com companies are one thing, but the U.S. housing market is a whole different ballgame in terms of its economic impact. In order for the U.S. economy to avoid a deep and lasting recession, the housing sector will need to stabilize. For this to happen, the glut of homes for sale must shrink. This in turn will likely require some relief for over-extended borrowers and a return to more normal mortgage markets. For that to happen, home prices will need to fall to a "clearing" level that certainly is lower than today's prices. However, lower home prices, while necessary, may amplify current

economic weakness. Needless to say, the path to economic recovery will be bumpy and hard to navigate.

We are cautiously optimistic that the extraordinary steps taken by the Federal Reserve Bank will be effective in avoiding a severe economic downturn. The Fed's objective is to make certain that capital markets in general, and the banking system in particular, are functioning properly and providing adequate liquidity to businesses and individuals. The financial system is far more complex today than just a few years ago, making the Fed's job much more difficult. We encourage you to read our Quarterly Economic Update on the Fund's website for a more detailed discussion of current conditions in the housing sector and our thoughts on the economy in general.

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Our job remains the same--research each and every credit in the portfolio, and try to construct the best portfolio of securities that will enable the Fund to meet its objectives. While market sentiment is certainly depressed at the moment, we see tremendous long-term value in preferred securities at today's prices.

During periods of unusual market volatility, these letters provide a welcome opportunity to step back and discuss a wide variety of items affecting your Fund. Some of these deserve more attention than space here allows and are covered in greater depth on the Fund's website. Other situations, like the status of our auction preferred stock, are rapidly changing, and we'll post to the website as much up-to-date information as possible.

We may never know the origins of the old curse "may you live in interesting times," but whoever coined it certainly got his wish.

Sincerely,

/s/ Donald F. Crumrine

/s/ Robert M. Ettinger

Donald F. Crumrine
Chairman of the Board

Robert M. Ettinger
President

April 9, 2008

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OVERVIEW
FEBRUARY 29, 2008 (UNAUDITED)

FUND STATISTICS ON 02/29/08

| | | |
|---------------------------------|----|------------|
| Net Asset Value | \$ | 18.62 |
| Market Price | \$ | 16.42 |
| Discount | | 11.82% |
| Yield on Market Price | | 9.68% |
| Common Stock Shares Outstanding | | 42,601,719 |

| MOODY'S RATINGS | % OF PORTFOLIO |
|-------------------------|----------------|
| AAA | 0.2% |
| AA | 6.0% |
| A | 17.8% |
| BBB | 50.5% |
| BB | 16.3% |
| Below "BB" | 2.2% |
| Not Rated | 3.5% |
| Below Investment Grade* | 15.3% |

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

[THE FOLLOWING TABLE WAS REPRESENTED BY A PIE CHART IN THE PRINTED MATERIAL.]

| INDUSTRY CATEGORIES | % OF PORTFOLIO |
|---------------------|----------------|
| Banking | 33% |
| Utilities | 26% |
| Insurance | 19% |
| Financial Services | 9% |
| Energy | 5% |
| REITs | 3% |
| Other | 5% |

| TOP 10 HOLDINGS BY ISSUER | % OF PORTFOLIO |
|------------------------------|----------------|
| Midamerican Energy | 4.9% |
| Banco Santander | 4.7% |
| Wachovia Corp | 4.4% |
| Liberty Mutual Group | 3.4% |
| ACE Ltd | 3.2% |
| Dominion Resources | 2.7% |
| AON Corp | 2.4% |
| Enterprise Products Partners | 2.3% |
| Wisconsin Energy | 2.3% |
| HBOS Plc | 2.3% |

| | % OF PORTFOLIO** |
|---|------------------|
| Holdings Generating Qualified Dividend Income (QDI) for Individuals | 28% |
| Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD) | 15% |

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

SHARES/\$ PAR

PREFERRED SECURITIES -- 86.4%

BANKING -- 32.5%

| | | |
|----|------------|---|
| \$ | 19,000,000 | Astoria Capital Trust I, 9.75% 11/01/29, Series B |
| | | Banco Santander: |
| | 1,646,000 | 6.50% Pfd. |
| | 1,141,600 | 6.80% Pfd. |
| | | Bank of America Corp.: |
| | 85,000 | 6.204% Pfd., Series D |
| \$ | 5,000,000 | 8.00% |
| \$ | 36,981,000 | Capital One Capital III, 7.686% 08/15/36 |
| \$ | 27,600,000 | CBG Florida REIT Corporation, 7.114%, 144A**** |
| | 128,000 | Citigroup Capital VIII, 6.95% Pfd. 09/15/31 |
| | 500,000 | Citigroup, Inc., 8.125% Pfd., Series AA |
| | 112,000 | Citizens Funding Trust I, 7.50% Pfd. 09/15/66 |
| | 105,000 | Cobank, ACB, 7.00% Pfd., 144A**** |
| | 13,000 | Colonial Capital Trust IV, 7.875% Pfd. |
| \$ | 25,740,000 | Comerica Capital Trust II, 6.576% 02/20/37 |
| | 28,800 | FBOP Corporation, Adj. Rate Pfd., 144A**** |
| \$ | 2,635,000 | First Midwest Capital Trust I, 6.95% 12/01/33 |
| \$ | 1,950,000 | First Tennessee Capital I, 8.07% 01/06/27, Series A |
| | 6 | FT Real Estate Securities Company, 9.50% Pfd., 144A**** |
| \$ | 38,000,000 | HBOS PLC, 6.657%, 144A**** |
| | 7,500 | HSBC Series II, Variable Inverse Pfd., Pvt. |
| \$ | 3,898,000 | JPMorgan Chase Capital XXIII, Adj. Rate 05/15/47 |
| | 23,800 | Keycorp Capital V, 5.875% Pfd., Series A |
| | 20,000 | Keycorp Capital VIII, 7.00% Pfd. 06/15/66 |
| | 617,000 | Keycorp Capital IX, 6.75% Pfd. 12/15/66 |
| | 85,285 | National City Capital Trust II, 6.625% Pfd. 11/15/36 |
| | 116,800 | National City Corporation, 9.875% Pfd. |
| \$ | 15,000,000 | National City Preferred Capital Trust I, 12.00% |
| | 295,000 | PFGI Capital Corporation, 7.75% Pfd. |
| \$ | 6,500,000 | PNC Preferred Funding Trust III, 8.70%, 144A**** |
| \$ | 3,300,000 | Regions Financing Trust II, 6.625% 05/15/47 |
| | | Roslyn Real Estate: |
| | 40 | 8.95% Pfd., Series C, 144A**** |
| | 135 | Adj. Rate Pfd., Series D, 144A**** |
| | 63,700 | Sovereign Bancorp, 7.30% Pfd., Series C |
| | 248,100 | Sovereign Capital Trust V, 7.75% Pfd. 05/22/36 |
| \$ | 18,435,000 | Sovereign Capital Trust VI, 7.908% 06/13/36 |
| | 60 | Union Planters Preferred Funding, 7.75% Pfd., Series 144A**** |

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 29, 2008 (UNAUDITED)

SHARES/\$ PAR

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

| | | |
|----|------------|--|
| | | U.S. Bancorp, Auction Pass-Through Trust, Cl. B: |
| | 65 | Series 2006-5, Variable Rate Pfd., 144A**** |
| | 65 | Series 2006-6, Variable Rate Pfd., 144A**** |
| | 70,903 | USB Capital VIII, 6.35% Pfd. 12/29/65 |
| | 18,800 | VNB Capital Trust I, 7.75% Pfd. |
| | | Wachovia Corporation: |
| \$ | 6,400,000 | 7.98% |
| | 158,300 | 8.00% Pfd., Series J |
| | 1,890,000 | Wachovia Preferred Funding, 7.25% Pfd., Series A |
| | | Washington Mutual: |
| \$ | 10,050,000 | Preferred Funding, 6.534%, 144A**** |
| \$ | 5,100,000 | Preferred Funding IV, 9.75%, 144A**** |
| \$ | 11,067,000 | Webster Capital Trust IV, 7.65% 06/15/37 |

FINANCIAL SERVICES -- 7.6%

| | | |
|----|------------|---|
| | | CIT Group, Inc.: |
| | 30,000 | 5.189% Pfd., Series B |
| \$ | 13,000,000 | 6.10% 03/15/67 |
| | 373,712 | 6.35% Pfd., Series A |
| | 729,995 | Countrywide Capital IV, 6.75% Pfd. |
| | 46,305 | Countrywide Capital V, 7.00% Pfd., 11/01/36 |
| | 30,000 | First Republic Bank, 7.25% Pfd. |
| | 7,850 | First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** |
| | | Goldman Sachs: |
| | 157,450 | Cabco Trust Capital I, Adj. Rate Pfd. 02/15/34 |
| | 3,600 | STRIPES Custodial Receipts, Pvt. |
| \$ | 7,000,000 | Gulf Stream-Compass 2005 Composite Notes, 144A**** |
| | 556,500 | Lehman Brothers Holdings, Inc., 7.95% Pfd. |
| | | Merrill Lynch: |
| | 400,000 | 6.25% Pfd. |
| | 143,920 | Adj. Rate Pfd., Series G |
| | 172,000 | Adj. Rate Pfd., Series 5 |
| | 76,000 | Fixed Income Pass-Through 2007-A, Cl. B, Adj. Rate Pfd., 144A**** |
| | 4,000 | Series II STRIPES Custodial Receipts, Pvt. |
| | 9,000 | Morgan Stanley Capital Trust V, 5.75% Pfd. |
| | 83,900 | Morgan Stanley Capital Trust VI, 6.60% Pfd. |
| \$ | 10,000,000 | RACERS(R) Series 2005 AMMC V Trust, 144A**** |

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
PORTFOLIO OF INVESTMENTS (CONTINUED)
FEBRUARY 29, 2008 (UNAUDITED)

SHARES/\$ PAR

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

| | |
|---------------|---|
| | SLM Corporation: |
| 160,000 | 6.97% Pfd., Series A |
| 48,500 | Adj. Rate Pfd., Series B |
| | ----- |
| | INSURANCE -- 17.3% |
| | ----- |
| 1,703,580 | ACE Ltd., 7.80% Pfd., Series C |
| \$ 7,000,000 | AMBAC Financial Group, Inc., 6.15% 02/15/37 |
| | AON: |
| \$ 25,650,000 | Capital Trust A, 8.205% 01/01/27 |
| 106,000 | Corts-Capital, 8.205% Pfd. |
| 94,900 | Saturns-2003-3, 8.00% Pfd., Series AON Corp. |
| | Arch Capital Group Ltd.: |
| 167,650 | 7.875% Pfd., Series B |
| 94,321 | 8.00% Pfd., Series A |
| \$ 11,300,000 | AXA SA, 6.379%, 144A**** |
| | Axis Capital Holdings: |
| 273,800 | 7.25% Pfd., Series A |
| 241,505 | 7.50% Pfd., Series B |
| 65,500 | Berkley W.R. Capital Trust II, 6.75% Pfd. 07/26/45 |
| 558,000 | Delphi Financial Group, 7.376% Pfd. 05/15/37 |
| \$ 14,816,000 | Everest Re Holdings, 6.60% 05/15/37 |
| \$ 26,200,000 | Liberty Mutual Group, 7.80% 03/15/37, 144A**** |
| \$ 5,000,000 | PartnerRe Finance II, 6.44% 12/01/66 |
| 37,000 | Provident Financing Trust I, Corts-Unum, 8.50% Pfd. |
| | Renaissancere Holdings Ltd.: |
| 106,400 | 6.08% Pfd., Series C |
| 372,300 | 6.60% Pfd., Series D |
| 96,835 | 7.30% Pfd., Series B |
| 407,200 | Scottish Re Group Ltd., 7.25% Pfd. |
| \$ 7,425,000 | USF&G Capital, 8.312% 07/01/46, 144A**** |
| \$ 13,000,000 | USF&G Capital I, 8.50% 12/15/45, 144A**** |
| \$ 10,000,000 | XL Capital Ltd., Mangrove Bay Passthru Trust, 6.102% 07/15/33, 144A**** |
| \$ 6,400,000 | ZFS Finance USA Trust V, 6.50% 05/09/37, 144A**** |
| | ----- |

 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 29, 2008 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)
 UTILITIES -- 22.3%

| | | |
|----|------------|---|
| | | Baltimore Gas & Electric Company: |
| | 10,000 | 6.70% Pfd., Series 1993 |
| | 50,000 | 7.125% Pfd., Series 1993 |
| | 1,355,359 | 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, Series B |
| \$ | 17,645,000 | COMED Financing III, 6.35% 03/15/33 |
| \$ | 25,175,000 | Dominion Resources Capital Trust I, 7.83% 12/01/27 |
| \$ | 11,000,000 | Dominion Resources, Inc., 7.50% |
| | 625,000 | Entergy Arkansas, Inc., 6.45% Pfd. |
| | 85,000 | Entergy Louisiana, Inc., 6.95% Pfd. |
| | 140,600 | FPC Capital I, 7.10% Pfd., Series A |
| | | FPL Group Capital, Inc.: |
| \$ | 3,400,000 | 6.35% 10/01/66 |
| \$ | 4,100,000 | 6.65% 06/15/67 |
| | 6,000 | Georgia Power Company, 6.50% Pfd., Series 07-A |
| | 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 |
| | 30,000 | Laclede Capital Trust I, 7.70% Pfd. |
| | | Pacific Enterprises: |
| | 4,550 | \$4.40 Pfd. |
| | 4,510 | \$4.50 Pfd. |
| \$ | 2,386,000 | PECO Energy Capital Trust III, 7.38% 04/06/28, Series D |
| \$ | 27,000,000 | PECO Energy Capital Trust IV, 5.75% 06/15/33 |
| \$ | 27,925,000 | Puget Sound Energy, Inc., 6.974% 06/01/67 |
| | 200,000 | San Diego Gas & Electric Company, \$1.70 Pfd. |
| | | Southern California Edison: |
| | 45,000 | 6.00% Pfd. |
| | 27,640 | 6.125% Pfd. |
| | | Southern Union Company: |
| \$ | 5,100,000 | 7.20% 11/01/66 |
| | 228,700 | 7.55% Pfd. |
| \$ | 4,200,000 | Union Electric Company, 7.69% 12/15/36, Series A |

 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 29, 2008 (UNAUDITED)

SHARES/\$ PAR

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

| | | |
|--|--------|------------------------------------|
| | | Virginia Electric & Power Company: |
| | 14,985 | \$4.12 Pfd. |

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| | | |
|----|------------|--|
| | 21,684 | \$4.80 Pfd. |
| | 35,000 | \$6.98 Pfd. |
| | 342,500 | Virginia Power Capital Trust, 7.375% Pfd. 07/30/42 |
| \$ | 27,125,000 | Wisconsin Energy Corporation, 6.25% 05/15/67 |
| | | Xcel Energy, Inc.: |
| | 100,000 | 7.60%, Pfd. |
| | 10,210 | \$4.11 Pfd., Series D |

ENERGY -- 2.9%

| | | |
|----|------------|---|
| \$ | 5,000,000 | Enbridge Energy Partners LP, 8.05% 10/01/37 |
| | | Enterprise Products Partners: |
| \$ | 22,000,000 | 7.034% 01/15/68 |
| \$ | 12,500,000 | 8.375% 08/01/66 |
| \$ | 3,650,000 | KN Capital Trust III, 7.63% 04/15/28 |

REAL ESTATE INVESTMENT TRUST (REIT) -- 2.7%

| | | |
|--|---------|--|
| | 38,400 | BRE Properties, Inc., 6.75% Pfd., Series C |
| | 239,500 | Duke Realty Corporation, 8.375% Pfd., Series O |
| | 4,980 | Prologis Trust, 8.54% Pfd., Series C |
| | | PS Business Parks, Inc.: |
| | 45,500 | 6.70% Pfd., Series P |
| | 5,200 | 6.875% Pfd., Series I |
| | 6,100 | 7.00% Pfd., Series H |
| | 56,200 | 7.20% Pfd., Series M |
| | 18,700 | 7.375% Pfd., Series O |
| | 178,000 | 7.60% Pfd., Series L |
| | 54,800 | 7.95% Pfd., Series K |
| | | Public Storage, Inc.: |
| | 9,000 | 6.18% Pfd., Series D |
| | 196,070 | 6.45% Pfd., Series F |
| | 345,000 | 6.625% Pfd., Series M |
| | 82,000 | 6.75% Pfd., Series E |
| | 30,000 | 6.85% Pfd., Series Y |
| | 166,800 | 7.25% Pfd., Series K |
| | 70,000 | Realty Income Corp., 6.75% Pfd., Series E |

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 29, 2008 (UNAUDITED)

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PREFERRED SECURITIES -- (CONTINUED)

MISCELLANEOUS INDUSTRIES -- 1.0%

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

U.S. GOVERNMENT SECURITIES -- 0.1%

| | |
|--------|------------------------|
| 31,500 | Fannie Mae, 8.25% Pfd. |
|--------|------------------------|

TOTAL PREFERRED SECURITIES

(Cost \$1,272,466,331)

CORPORATE DEBT SECURITIES -- 10.2%

FINANCIAL SERVICES -- 2.1%

| | |
|---------------|---|
| 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 |
| 45,000 | HSBC Finance Corporation, 6.875% 01/30/33 |
| \$ 4,812,159 | Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A**** |

INSURANCE -- 1.8%

| | |
|---------------|---|
| \$ 24,921,000 | Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** |
| \$ 1,000,000 | UnumProvident Corporation, 7.25% 03/15/28, Senior Notes |

UTILITIES -- 3.8%

| | |
|---------------|---|
| \$ 6,315,000 | Duke Capital Corporation, 8.00% 10/01/19, Senior Notes |
| \$ 5,000,000 | Entergy Gulf States, Inc., 6.20% 07/01/33, 1st Mortgage |
| | Entergy Louisiana LLC: |
| \$ 11,458,000 | 6.30% 09/01/35, 1st Mortgage |
| 5,750 | 7.60% 04/01/32, 1st Mortgage |
| | Oncor Electric Delivery Company: |
| \$ 2,000,000 | 7.00% 09/01/22 |
| \$ 7,070,000 | 7.25% 01/15/33 |
| | Southern Union Company: |
| \$ 5,300,000 | 7.60% 02/01/24, Senior Notes |
| \$ 6,047,000 | 8.25% 11/15/29, Senior Notes |
| \$ 6,020,000 | Wisconsin Electric Power Company, 6.875% 12/01/95 |

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)

ENERGY -- 1.9%

| | | |
|----|------------|---|
| \$ | 10,350,000 | KN Energy, Inc., 7.45% 03/01/98 |
| | 296,911 | Nexen, Inc., 7.35% Subordinated Notes |
| \$ | 8,500,000 | Noble Energy, Inc., 7.25% 08/01/97 |

REAL ESTATE INVESTMENT TRUST (REIT) -- 0.2%

| | | |
|----|-----------|--|
| \$ | 3,500,000 | Realty Income Corporation, 5.875% 03/15/35 |
|----|-----------|--|

MISCELLANEOUS INDUSTRIES -- 0.4%

| | | |
|----|-----------|---|
| | 26,000 | CBS Corporation, 6.75% 03/27/56 |
| | 3,450 | Comcast Corp., 6.625%, 05/15/56 |
| | 16,500 | Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint |
| | | Pulte Homes, Inc.: |
| | 58,240 | 7.375% 06/01/46 |
| \$ | 3,550,000 | 7.875% 06/15/32 |

TOTAL CORPORATE DEBT SECURITIES

(Cost \$147,800,172)

OPTION CONTRACTS -- 0.2%

| | | |
|--|-------|--|
| | 450 | April Call Options on June U.S. Treasury Bond Futures, Expiring 03/20/08 |
| | 900 | June Call Options on June U.S. Treasury Bond Futures, Expiring 05/23/08 |
| | 2,605 | June Put Options on June U.S. Treasury Bond Futures, Expiring 05/23/08 |

TOTAL OPTION CONTRACTS

(Cost \$1,790,596)

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 FEBRUARY 29, 2008 (UNAUDITED)

SHARES/\$ PAR

MONEY MARKET FUND -- 1.9%

| | |
|--|---|
| 24,989,411 | BlackRock Provident Institutional, TempFund |
| TOTAL MONEY MARKET FUND (Cost \$24,989,411) | |

SECURITIES LENDING COLLATERAL -- 0.5%

| | |
|---|--|
| 7,207,320 | BlackRock Institutional Money Market Trust |
| TOTAL SECURITIES LENDING COLLATERAL (Cost \$7,207,320) | |

TOTAL INVESTMENTS (Cost \$1,454,253,830***)

OTHER ASSETS AND LIABILITIES (Net)

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK

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) A portion of this security is on loan.

(3) A portion of this security has been pledged as collateral for written option positions.

+ 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

OPEN OPTION CONTRACTS WRITTEN

| CONTRACTS | CONTRACT DESCRIPTION |
|--|---|
| 450 | April Call Options on June U.S. Treasury Bond Futures, Expiring 03/20/08, Strike Price 120 |
| 900 | June Call Options on June U.S. Treasury Bond Futures, Expiring 05/23/08, Strike Price 118 |
| TOTAL OPEN OPTION CONTRACTS WRITTEN (premiums received: \$2,426,405) | |

 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)
 FOR THE PERIOD FROM DECEMBER 1, 2007 THROUGH FEBRUARY 29, 2008 (UNAUDITED)

OPERATIONS:

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

 NET DECREASE 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 three months ended February 29, 2008 and should
 be read in conjunction with the Fund's audited financial statements,
 including footnotes, in its Annual Report dated November 30, 2007.
 (2) May include income earned, but not paid out, in prior fiscal year.

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated
 FINANCIAL HIGHLIGHTS(1)
 FOR THE PERIOD FROM DECEMBER 1, 2007 THROUGH FEBRUARY 29, 2008 (UNAUDITED)
 FOR A COMMON STOCK SHARE OUTSTANDING THROUGHOUT THE PERIOD.

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period

INVESTMENT OPERATIONS:

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

DISTRIBUTIONS TO AMPS* SHAREHOLDERS:

From net investment income

 Total from investment operations

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

From net investment income

 Total distributions to Common Stock Shareholders

 Net asset value, end of period

 Market value, end of period

 Common Stock shares outstanding, end of period

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)
 Ratio of operating expenses to total average net assets available to Common and Preferred Stock

- (1) These tables summarize the three months ended February 29, 2008 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2007.
- * 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*.

PER SHARE OF COMMON STOCK (UNAUDITED)

| | TOTAL DIVIDENDS PAID | NET ASSET VALUE | NYSE CLOSING PRICE | DIVIDEND REINVESTMENT PRICE (1) |
|-------------------------|----------------------------|--------------------|-----------------------|---------------------------------------|
| December 31, 2007 | \$ 0.1325 | \$ 18.51 | \$ 16.16 | \$ 16.48 |
| January 31, 2008 | 0.1325 | 19.09 | 17.84 | 17.93 |
| February 29, 2008 | 0.1325 | 18.62 | 16.42 | 16.61 |

(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 reinvestment 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.

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

1. AGGREGATE INFORMATION FOR FEDERAL INCOME TAX PURPOSES

At February 29, 2008 the aggregate cost of securities for federal income tax purposes was \$1,455,919,364, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$8,695,416 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$140,630,635

2. ADDITIONAL ACCOUNTING STANDARDS

ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 157 "FAIR VALUE MEASUREMENTS" ("FAS 157")

In September 2006, the Financial Accounting Standards Board issued FAS 157 effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The Fund has adopted FAS 157 as of December 1, 2007. The three levels of the fair value hierarchy under FAS 157 are described below:

- o Level 1 - quoted prices in active markets for identical securities
- o Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- o Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Funds' net assets as of February 29, 2008 is as follows:

| VALUATION INPUTS | INVESTMENTS IN SECURITIES (MARKET VALUE) | OTHER FINANCIAL INSTRUMENTS (UNREALIZED APPRECIATION/ DEPRECIATION) * |
|--|--|---|
| Level 1 - Quoted Prices- Investments | \$ 373,396,434 | \$ -- |
| Level 1 - Quoted Prices - Written Options | (3,543,750) | -- |
| Level 2 - Other Significant Observable Inputs .. | 925,674,478 | -- |
| Level 3 - Significant Unobservable Inputs | 17,705,913 | -- |
| TOTAL | \$ 1,313,233,075 | \$ -- |

* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures, forwards and swaps which are valued at the unrealized appreciation/depreciation on the investment. As of February 29, 2008 the Fund does not have any other financial instruments.

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

Following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

| | INVESTMENTS IN SECURITIES (MARKET VALUE) | OTHER FINANCIAL INSTRUMENTS (UNREALIZED APPRECIATION/ DEPRECIATION) |
|---|--|---|
| BALANCE AS OF 11/30/07 | \$ 18,329,730 | \$ -- |
| Accrued discounts/premiums | 42,076 | -- |
| Realized gain (loss) | -- | -- |
| Change in unrealized appreciation (depreciation) .. | (665,893) | -- |
| Net purchases (sales) | -- | -- |
| Transfers in and/or out of Level 3 | -- | -- |
| BALANCE AS OF 2/29/08 | \$ 17,705,913 | \$ -- |

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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
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.

[LOGO] Flaherty & Crumrine/Claymore
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PREFERRED SECURITIES
INCOME FUND

Quarterly
Report

February 29, 2008

www.fcclaymore.com