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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2002

PROCESSED

SEP 12 2002

P THOMSON FINANCIAL

AREL COMMUNICATIONS AND SOFTWARE LIMITED

(Translation of Registrant's name into English)

3 Hayarden Street, Yavne, 70600, Israel

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: **Form 20-F** **Form 40-F**

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: **Yes** **No**

On September 3, 2001, the Registrant issued the press release which is filed as Exhibit 1 to this Report on Form 6-K and which is hereby incorporated by reference herein.

This Form 6-K is incorporated by reference into the Registrant's Post-Effective Amendment No. 1 on Form F-3 to Registration Statement on Form F-1 under the Securities Act of 1933, declared effective on September 2, 1999 (Registration No. 333-10684).

This Form 6-K is incorporated by reference into the Registrant's Post-Effective Amendment No. 1 on Form F-3 to Registration Statement on Form F-1 under the Securities Act of 1933, declared effective on June 28, 2000 (Registration No. 333-12076).

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

Arel Communications and Software Limited

By: 
Izhak Gross
Chairman

Dated: September 9, 2002

Exhibit 1

September 3, 2002

Arel Communications and Software to transfer to the Small Cap Market

YAVNE, Israel - September 3, 2002 Arel Communications and Software Ltd. (Nasdaq NM: ARLC), a leading provider of interactive distance learning (IDL) solutions, today reported that the Company's ordinary shares will be transferred from the Nasdaq National Market to the Nasdaq SmallCap Market, effective with the opening of business on September 3, 2002. The Company's ticker symbol will remain ARLC.

About Arel Communications and Software

Arel Communications and Software, Ltd., Yavne, Israel and its U.S. subsidiaries, Arel Communications and Software, Inc., and Arel Learning Solutions Inc., (www.arel.net) market the IDEAL family of products, including its innovative Internet Protocol-based Spotlight application. IDEAL is a fully integrated, enterprise-wide, scalable solution that delivers live, interactive training and corporate communications. Arel Spotlight is a browser-based application that offers both on-line (synchronous) and off-line (asynchronous) content on a single platform. Powered by Arel's IDEAL engine, Spotlight integrates authoring and management tools, interactive delivery, evaluation, analysis, tracking and reporting.

Arel IDEAL™, Arel Spotlight™, and Arel Campus™ are trademarks of Arel Communications and Software Ltd. All other trade names are the properties of their respective owners.

Certain statements made herein that are not historical are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate", "project", "intend", "expect", "believe", "hopeful" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to the Company's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for the Company's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with the Company's international operations and its location in Israel. For additional information regarding these and other risks and uncertainties associated with the Company's business, reference is made to the Company's reports filed from time to time with the Securities and Exchange Commission.

Contact:

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