# To the Winner Go the Spoils: Decentralized Machine Learning and the Fair Rewarding of Participation.

Arno Geimer
University of Luxembourg



Federated Learning: *Privacy- Preserving Machine Learning at Scale.* 

Part 1: Why Federated Learning?
Regulatory context, Use cases, Frameworks, and ongoing projects.





Part 2: Technical Foundations & Challenges.

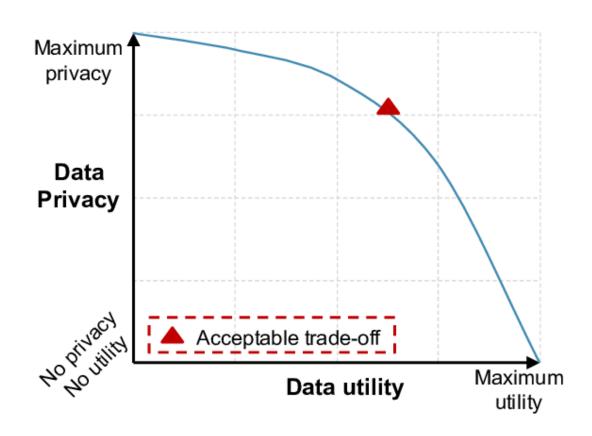
Enabling Federated Learning, improving performance, detecting malicious actors.

**Part 3**: Contribution Assessment. Existing method, our observations, our approaches.



# Would you trust one central entity with ALL your personal data?

- More utility → weaker privacy guarantees.
- More privacy → less information for the model.
- How can we gain as much information while keeping data (relatively) secure?



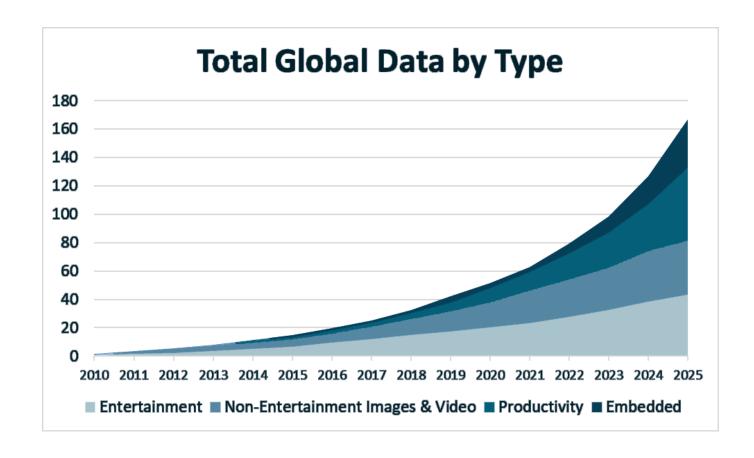
### The Regulatory Context

- Mid-2010s: Surge in strict dataprotection regulations following privacy awareness.
- Regulations give user control over personal data sale/use, the right to be forgotten and limit data transfer.
- As a result, data can no longer freely move. Companies need to adapt their data collection processes.



# The Exponential Growth of Data

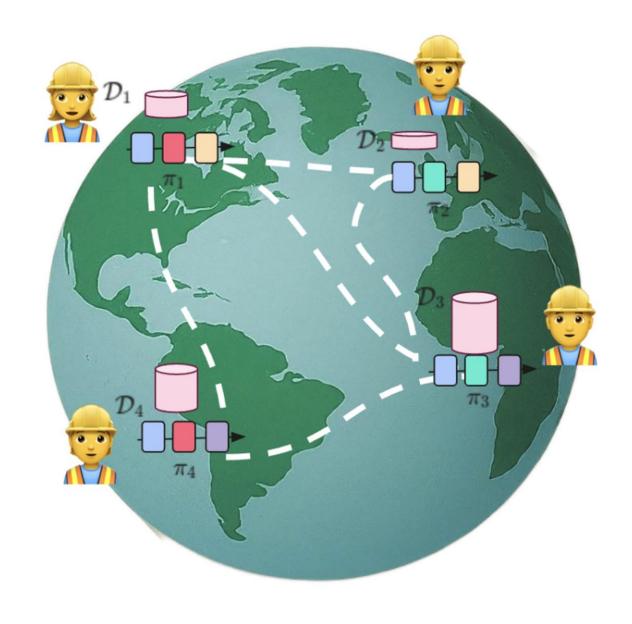
- Global data creation is doubling approximately every 2 years.
- It comes increasingly from personal and distributed devices.
- Infeasible to collect all data in a single storage location.



# What is Federated Learning?

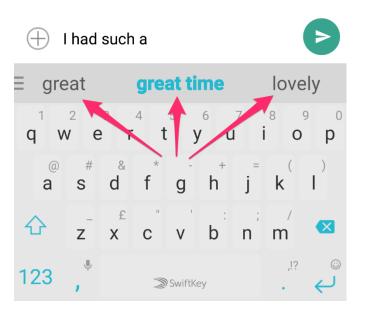
"Bring code to the data, not data to the code"

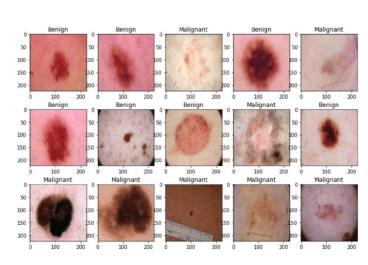
- Video
- A central server manages a collection of distributed data owners.
- All data stays local, all training is local.
- The result is a common model which contains information from all data owners.



## Key Use Cases

- Mobile applications.
- Medical Applications.
- Fraud Prevention.
- Decentralized LLM finetuning.



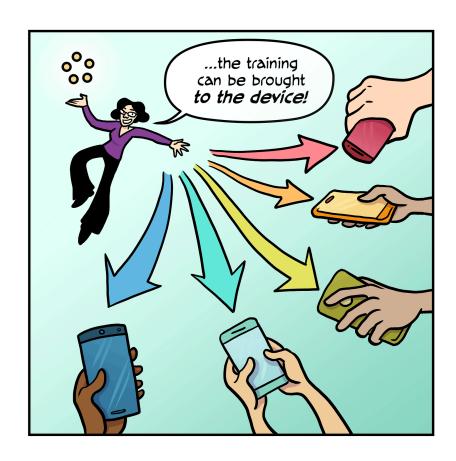






## Mobile Applications: Google Gboard, Apple Quicktype, Siri

- Devices: billions of smartphones worldwide.
- Use cases: next-word prediction, emoji suggestions, personalized speech.
- No need to send personal messages and voice recordings to a central server.
- Frequent and diverse updates.



## Healthcare: Medical Image Analysis

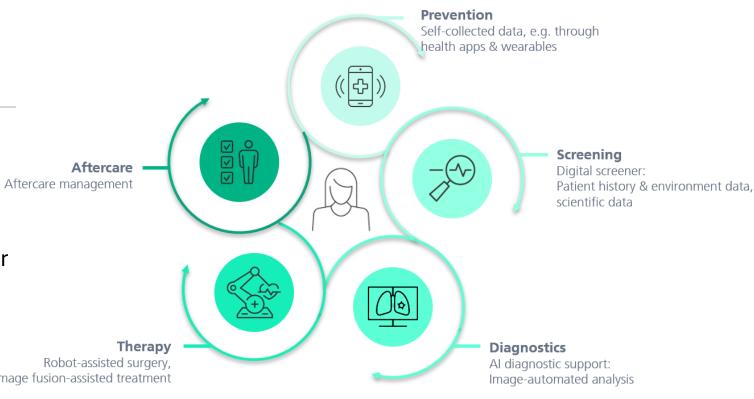
**Devices**: hospital servers, imaging machines

**Use cases:** diagnostic models for tumor detection, rare disease detection.

Increased statistical power.

image fusion-assisted treatment

GDPR compliance.



## Large-Scale AI: Decentralized LLM Training

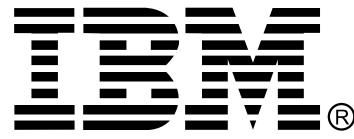
- **Devices**: Clusters, private data centers, cloud.
- Use cases: Train or fine-tune large language models across organizations.
- Proprietary data stays local.
- Shared foundation model improved without data leakage.





# Finance: Fraud Prevention

- Devices: Secure servers in banks, fintech systems, transaction endpoints.
- Use cases: Fraud detection models, suspicious behavior pattern identification.
- Protects sensitive financial records.
- Enhances detection by sharing insights across silos.



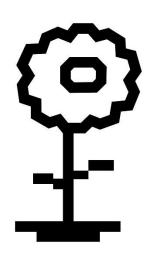






#### Frameworks

- **Flower**: Open-source, lightweight, cross-platform.
- Nvidia Clara FL: Closed-source, healthcare-focused.
- FATE (WeBank): Open-source, strong security module integration.
- TensorFlow Federated: Open-source, research and prototyping library.



Flower: A Friendly Federated Learning Framework



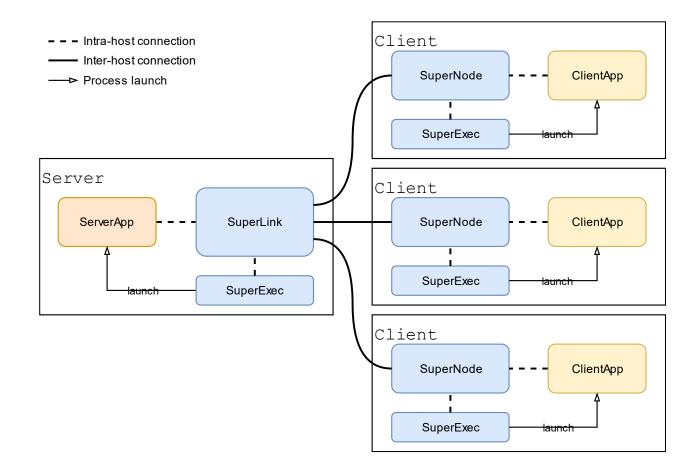




# The Flower framework



- Clients and the Server are launched as separate instances.
- Communication through ray.
- Easy to deploy, run on different machines.



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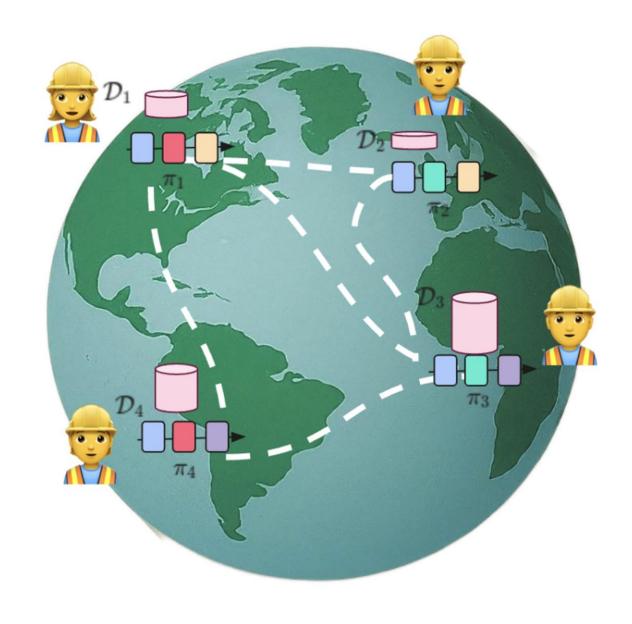
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#### Federated Averaging (FedAvg).

- Introduced by McMahan et al., 2017, Google.
- Repetitive loop between server and clients.
- Each client trains locally on its data.

McMahan, Brendan, Eider Moore, Daniel Ramage, Seth Hampson, and Blaise Aguera y Arcas. "Communication-efficient learning of deep networks from decentralized data." In *Artificial intelligence and statistics*, pp. 1273-1282. PMLR, 2017.

Algorithm 1 FederatedAveraging. The K clients are indexed by k; B is the local minibatch size, E is the number of local epochs, and  $\eta$  is the learning rate.

#### **Server executes:**

initialize 
$$w_0$$

for each round  $t = 1, 2, ...$  do

 $m \leftarrow \max(C \cdot K, 1)$ 
 $S_t \leftarrow$  (random set of  $m$  clients)

for each client  $k \in S_t$  in parallel do

 $w_{t+1}^k \leftarrow$  ClientUpdate $(k, w_t)$ 
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 Each round, the server sends the most up-to-date global model checkpoint to a random set of clients. **Algorithm 1** FederatedAveraging. The K clients are indexed by k; B is the local minibatch size, E is the number of local epochs, and  $\eta$  is the learning rate.

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- Each round, the server sends the most up-to-date global model checkpoint to a random set of clients.
- Clients continue training from this checkpoint. They send their updated models back to the server.
- The central server generates a new global model checkpoint based on all received updates in this round.

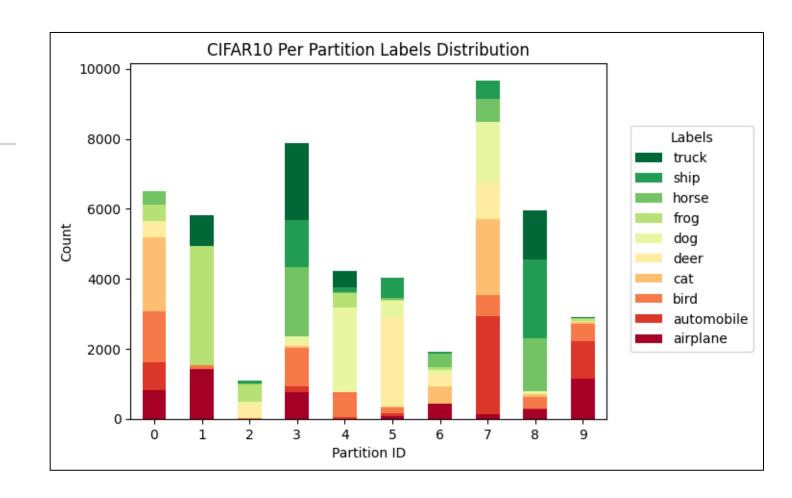
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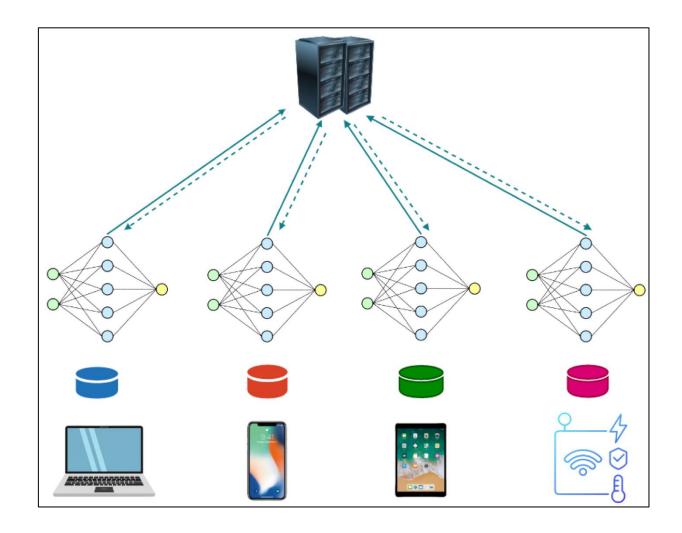
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# Key challenges in Federated Learning.

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- Client hardware heterogeneity.



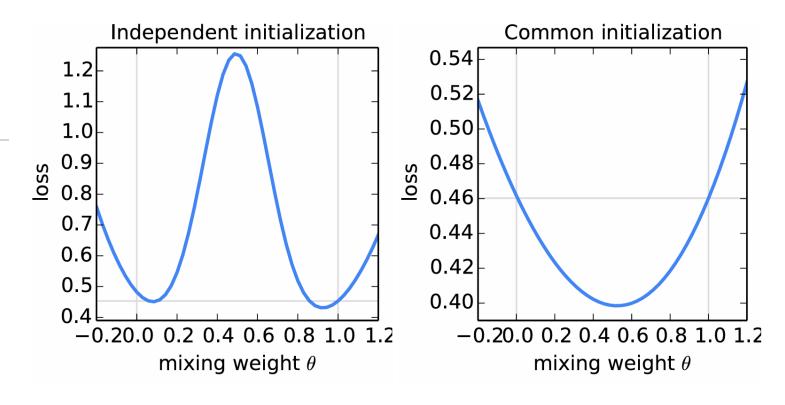
# Key challenges in Federated Learning.

- Data heterogeneity in clients.
- Client hardware heterogeneity.
- Model update **security**.



#### Why Repetitive Training?

- Combining models trained from different initial conditions has been shown to produce an arbitrarily bad model.
- Gradual alignment leads to stable convergence and allows adaptation to new data.
- Communication–accuracy trade-off:
   Sending model updates is not free (time + resources).



Loss of the model generated as  $\theta w + (1-\theta)w'$  on MNIST. Notice the y-axis scales. Common initialization produces a model which outperforms both parent models.

## Key hyperparameters of Federated Averaging.

- Local epochs E:
  - High = Less communication, faster training, more drift.
  - Low = More communication, more stable but slower convergence.

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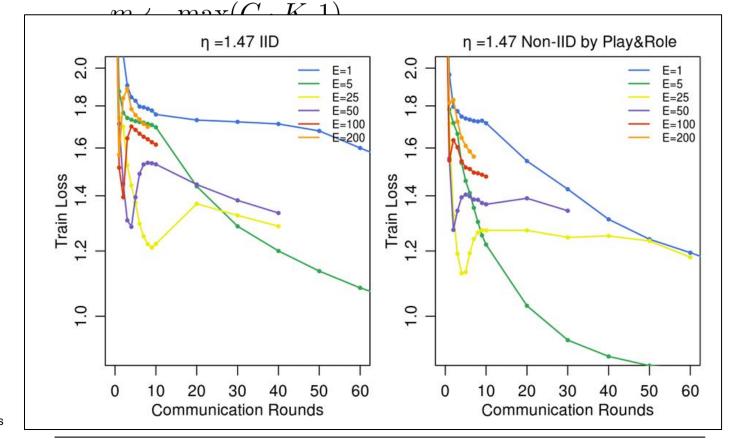
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## Key hyperparameters of Federated Averaging.

- Local epochs E:
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- Client selection fraction C:
  - High = More diverse data, faster convergence, best possible global model.
  - Low = Faster training, low communication, slow convergence.

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#### Client Selection.

- Random sampling reduces bias.
- Blindly sampling from all available clients may not always be favorable.
- Alternatives: Clustered sampling, weighted sampling, contribution-based sampling.
- Not all clients might be available (smartphone on/off, plugged in).

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#### Server Aggregation.

- FedAvg: weighted mean by dataset size.
- FedOpt: Instead of simple SGD, use adaptive optimization for aggregation.

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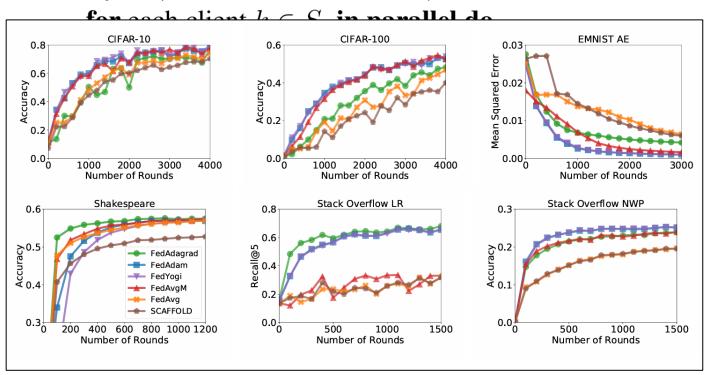
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#### Server Aggregation.

- FedAvg: weighted mean by dataset size.
- FedOpt: Instead of simple SGD, use adaptive optimization for aggregation.
- Other methods use the median, a trimmed average, or other variancereducing aggregations.

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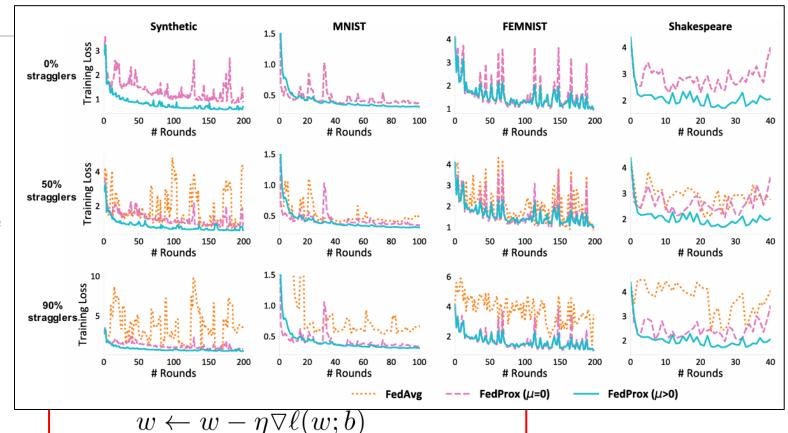
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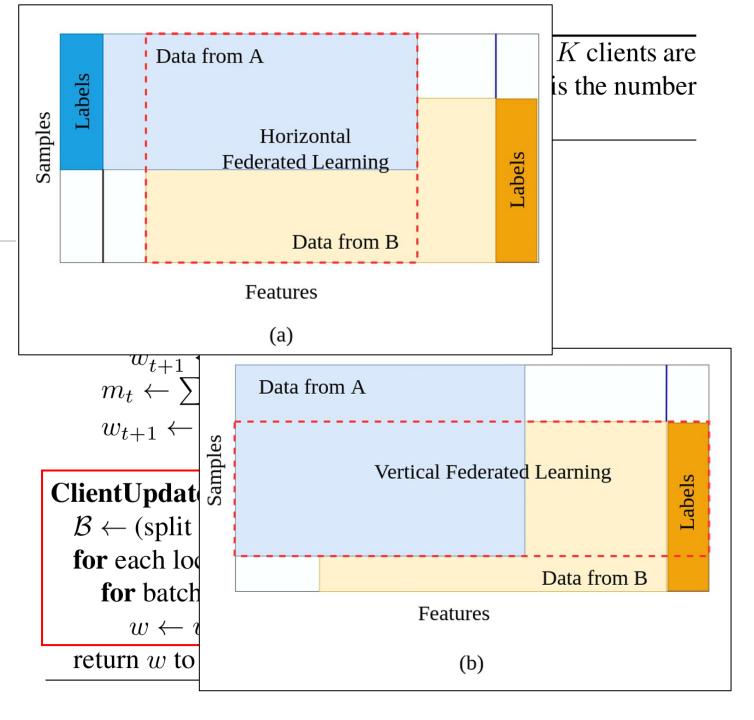
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- FedAvg: All clients run the same local training process.
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- Vertical Federated Learning: Different feature spaces in client data > Different local training.

Trindade, Silvana, Luiz F. Bittencourt, and Nelson LS da Fonseca. "Management of resource at the network edge for federated learning." arXiv preprint arXiv:2107.03428 (2021).



#### Security in Federated Learning.

 Eavesdropping: Client updates can be intercepted, revealing potentially private information. **Algorithm 1** FederatedAveraging. The K clients are indexed by k; B is the local minibatch size, E is the number of local epochs, and  $\eta$  is the learning rate.

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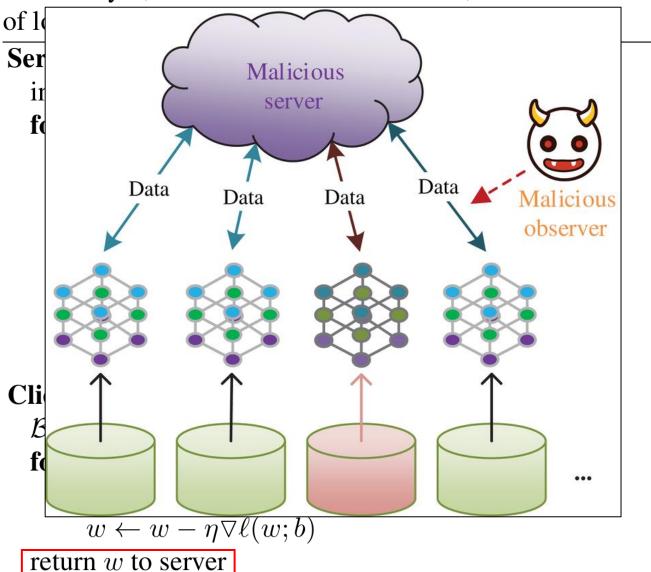
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- **Eavesdropping**: Client updates can be intercepted, revealing potentially private information.
- Counter-measure: Encryption of model updates.
- Drawback: Computationally expensive.

**Algorithm 1** FederatedAveraging. The K clients are indexed by k; B is the local minibatch size, E is the number



Yu, Bin, Wenjie Mao, Yihan Lv, Chen Zhang, and Yu Xie. "A survey on federated learning in data mining." *Wiley Interdisciplinary Reviews: Data Mining and Knowledge Discovery* 12, no. 1 (2022): e1443.

 Model inversion attack: Reconstruct training data from gradients, test membership of training data. **Algorithm 1** FederatedAveraging. The K clients are indexed by k; B is the local minibatch size, E is the number of local epochs, and  $\eta$  is the learning rate.

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- Model inversion attack: Reconstruct training data from gradients, test membership of training data.
- Counter-measure: Differential privacy, larger batch sizes.
- Drawback: Negative impact on global model performance.

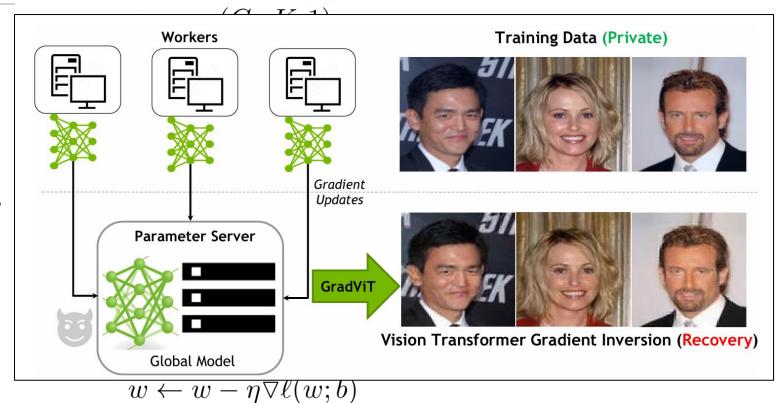
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Hatamizadeh, Ali, Hongxu Yin, Holger R. Roth, Wenqi Li, Jan Kautz, Daguang Xu, and Pavlo Molchanov. "Gradvit: Gradient inversion of vision transformers." In *Proceedings of the IEEE/CVF conference on computer vision and pattern recognition*, pp. 10021-10030. 2022.

• Model poisoning: Introduce malicious data to change global model behaviour.

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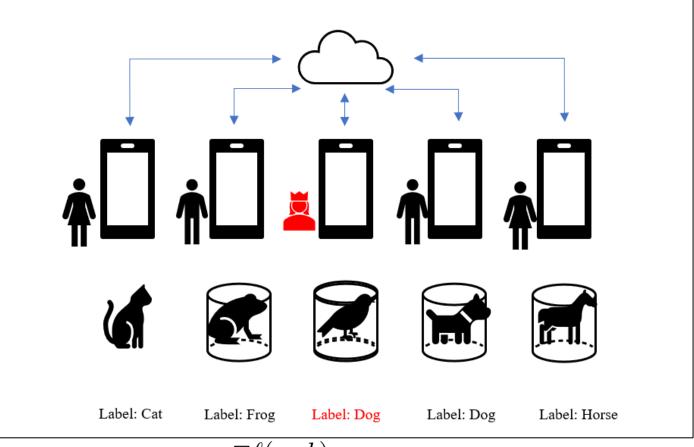
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ClientUpdate
$$(k, w)$$
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- Model poisoning: Introduce malicious data to change global model behaviour.
- Counter-measure: Poisoning detection methods, client selection.
- Drawback: False positives, safety vs performance trade-off.

**Algorithm 1** FederatedAveraging. The K clients are indexed by k; B is the local minibatch size, E is the number of local epochs, and  $\eta$  is the learning rate.

#### **Server executes:**

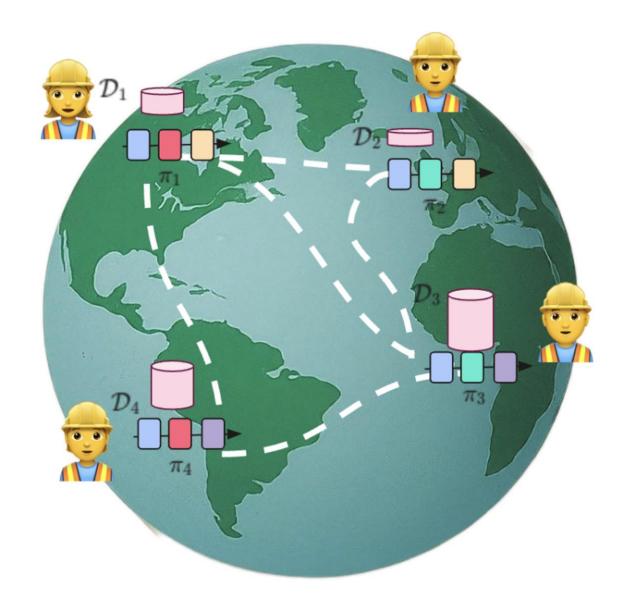


$$w \leftarrow w - \eta \nabla \ell(w; b)$$

return w to server

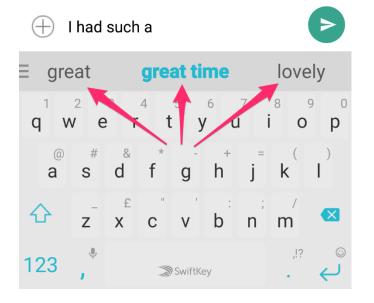
# Federated Learning: Summary.

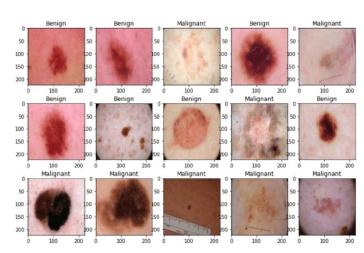
• Decentralized training on multiple data sources.



# Federated Learning: Summary.

- Decentralized training on multiple data sources.
- Applications in healthcare, consumer devices, finance.



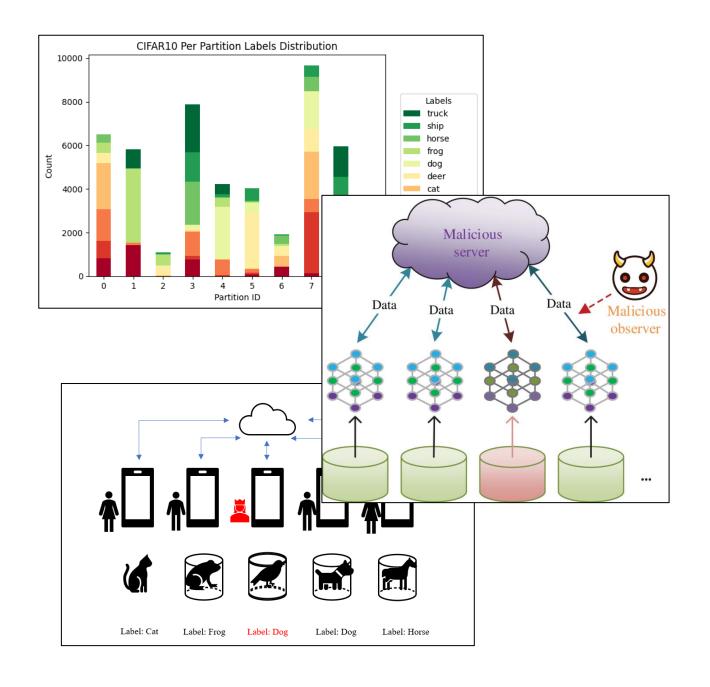






# Federated Learning: Summary.

- Decentralized training on multiple data sources.
- Applications in healthcare, consumer devices, finance.
- Technical challenges include data heterogeneity, communication cost and security of model updates.



Federated Learning: *Privacy- Preserving Machine Learning at Scale.* 

Part 1: Why Federated Learning?
Regulatory context, Use cases, Frameworks, and ongoing projects.





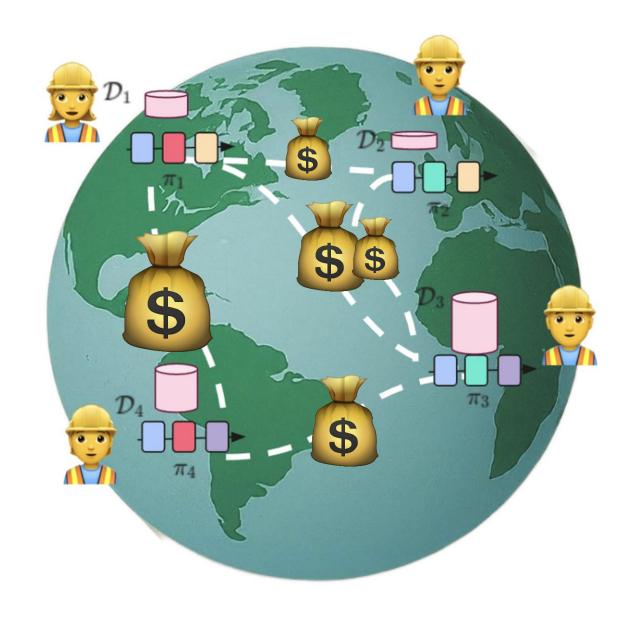
**Part 2**: Technical Foundations & Challenges. Enabling Federated Learning, improving performance, detecting malicious actors.

**Part 3**: Contribution Assessment. Existing method, our observations, our approaches.



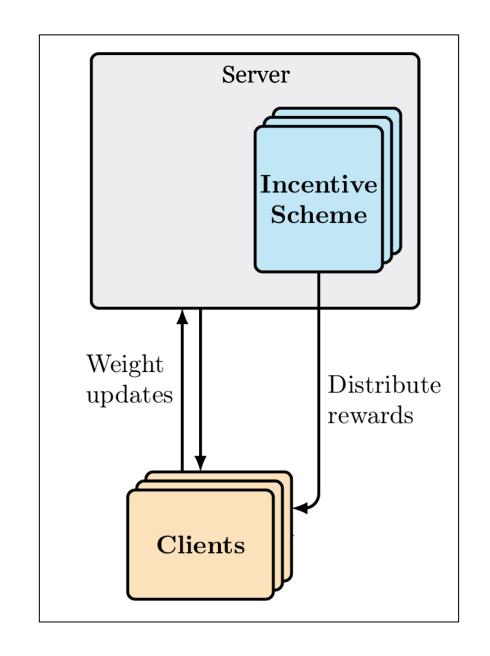
# Contribution Assessment in Federated Learning: Motivation.

- Fair reward allocation: (Monetary) incentives for participation.
- Accountability: Free rider, malicious client detection.
- Transparency: Compliance with regulations, audits.



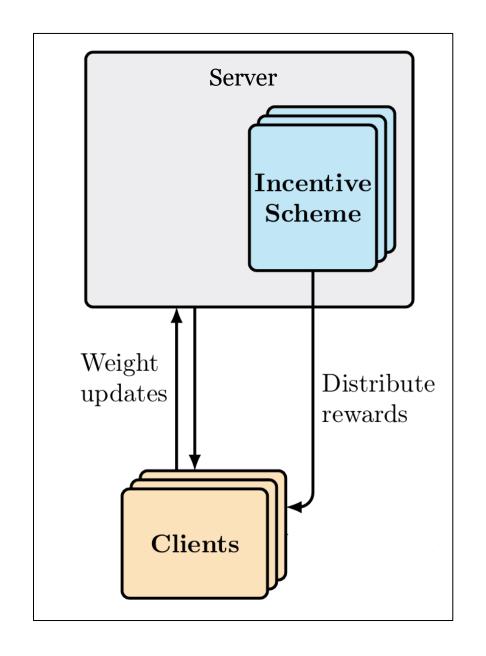
#### **Example Scenarios:**

- **Healthcare**: Spread of COVID-19: High value of datasets which include cases.
- Fraud detection: Different sizes of datasets: More data = more impact?
- Mobile devices: Some devices provide higher quality user signals.
- Decentralized LLM finetuning:
   Malicious actors can be detected due to bad contribution.



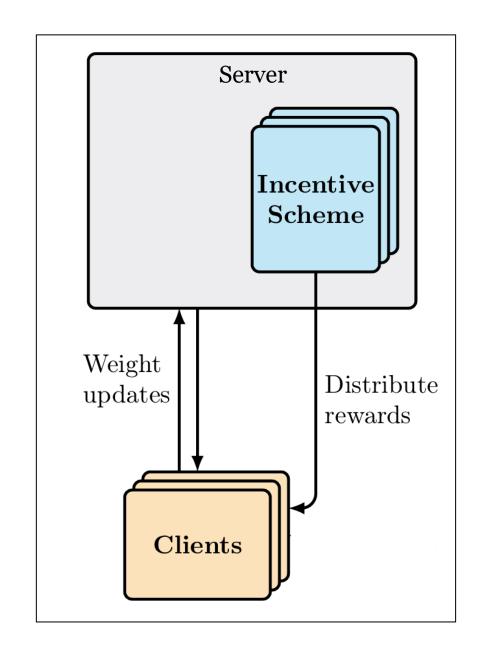
#### Contribution calculation methods:

- **Fixed**: Determined pre-federation. Examples: Dataset size, company revenue.
- **Similarity measures**: Allows for grouping of clients. More useful for outlier detection than rewarding of clients.
- Leave-one-out retraining: Measure influence of single datapoints on final model. Requires re-training the model.
- Computation-based contribution: Game-theoretic influence computation methods.



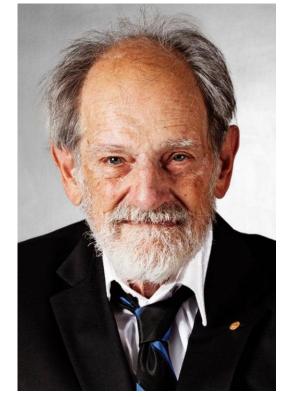
# Computation-based contribution calculation methods: Challenges.

- Scalability: Potentially hundreds of different clients.
- Must handle non-IID data: Evaluation should not be biased towards certain clients.
- Robustness against manipulation: Clients might try to influence final values.
- Evaluation difficulties: Often needs access to a test set to evaluate model updates.



**Game-theoretic approach**: Fairly distribute the gain amongst a group of players who cooperated.

Used in explainable AI (XAI), resource allocation, financial applications.



Lloyd Shapley, 1923 - 2016

$$\varphi_k = \sum_{S \subseteq N \setminus \{k\}} \frac{|S|! (n - |S| - 1)!}{n!} (v(S \cup \{k\}) - v(S))$$

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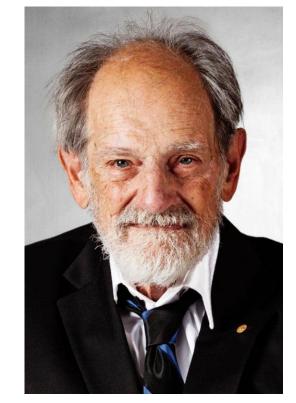


Lloyd Shapley, 1923 - 2016

$$\varphi_{k} = \sum_{S \subseteq N \setminus \{k\}} \frac{|S|! (n - |S| - 1)!}{n!} (v(S \cup \{k\}) - v(S))$$
Iterate over all subsets not containing  $k$ .
$$\square$$
Complexity:  $O(2^{n})$ 

**Game-theoretic approach**: Fairly distribute the gain amongst a group of players who cooperated.

Used in explainable AI (XAI), resource allocation, financial applications.

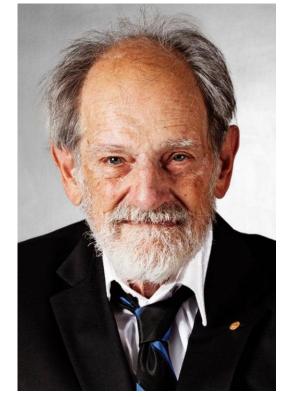


Lloyd Shapley, 1923 - 2016

$$\varphi_k = \sum_{S \subseteq N \setminus \{k\}} \frac{|S|! (n - |S| - 1)!}{n!} (v(S \cup \{k\}) - v(S))$$
Weighting factor.

**Game-theoretic approach**: Fairly distribute the gain amongst a group of players who cooperated.

Used in explainable AI (XAI), resource allocation, financial applications.



Lloyd Shapley, 1923 - 2016

$$\varphi_k = \sum_{S \subseteq N \setminus \{k\}} \frac{|S|! (n - |S| - 1)!}{n!} (v(S \cup \{k\}) - v(S))$$

Value of *k* to the cooperation.

Only contribution method which satisfies **efficiency** (sum of all = total gain), **symmetry** (same value = same contribution), **linearity** and **null player** (no value = no gain).

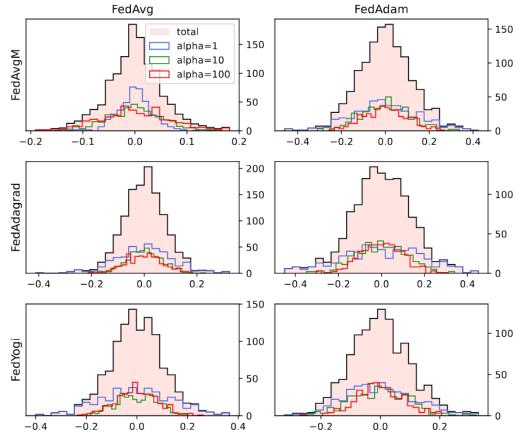
Federated Learning: Evaluate value of model updates on a per-round basis.

$$\varphi_k^i = \sum_{S \subseteq N \setminus \{k\}} \frac{|S|! (n - |S| - 1)!}{n!} (v(S \cup \{k\}) - v(S))$$

Value of client update *k* to the global model.

#### Our research.

- **Research question**: Are Shapley values aggregation-strategy-invariant?
- Our approach: Test Shapley values of the same clients using different aggregation strategies over several datasets. Compare to a set baseline.
- Our results: Contributions can differ greatly based on the chosen aggregation strategy.

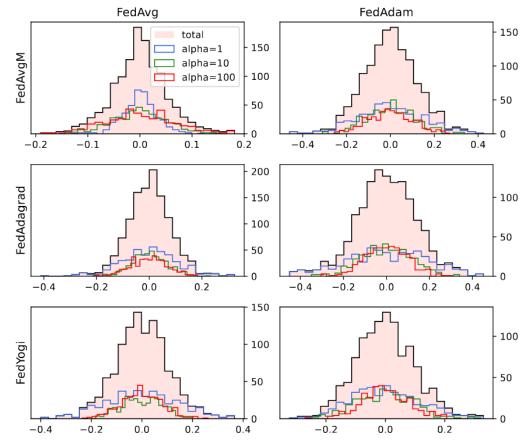


Distribution of the per-client difference in contributions across pairs of aggregation strategies (in % of total reward).

Geimer, Arno, Beltran Fiz, and Radu State. "On the Volatility of Shapley-Based Contribution Metrics in Federated Learning." *IJCNN 2025*.

#### Experimental details.

- Framework: Flower.
- Datasets: MNIST, Fashion-MNIST, CIFAR-10 and CIFAR-100 with a simple CNN.
- Federation hyperparameters: 5 resp. 3 clients per federation. 3 values for epochs, 3 degrees of heterogeneity in data distribution
- 8 different aggregation strategies.
- Total of 20,000 different FL runs.



Distribution of the per-client difference in contributions across pairs of aggregation strategies (in % of total reward).

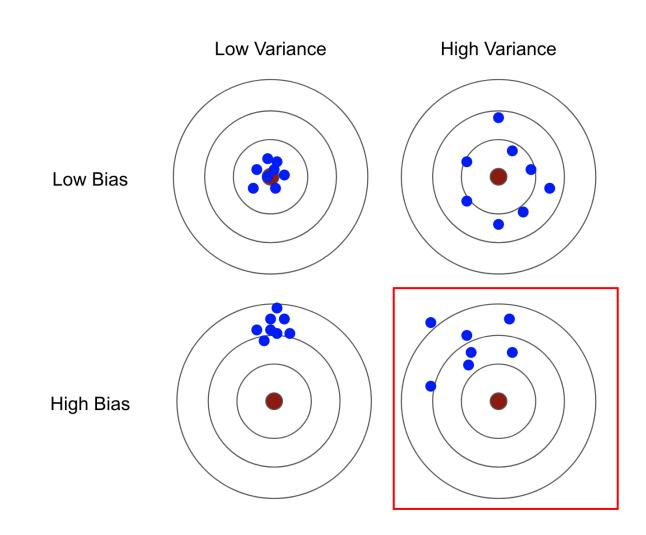
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#### Euclidean distance to baseline over all experiments.

		CIFAR-10			CIFAR-100			MNIST			FMNIST		
e	Strategy	1	10	100	1	10	100	1	10	100	1	10	100
	FedAvg	12.63	6.13	(5.99)	(5.31)	5.89	6.88	12.62	7.65	7.5	13.06	7.13	5.71
	FedAvgM	12.55	6.59	7.25	5.64	(5.65)	6.9	12.82	(7.31)	7.73	12.97	6.68	5.48
	FedAdagrad	20.72	8.61	6.44	12.32	7.29	(5.56)	13.84	8.69	7.66	14.37	6.9	6.29
2	FedAdam	12.7	10.1	7.14	7.26	7.21	7.09	10.2	9.93	9.31	13.32	8.26	7.23
	FedYogi	(10.39)	8.21	6.49	7.22	9.17	8.18	15.22	8.15	4.67	16.53	8.09	5.57
	FedMedian	12.78	6.18	6.73	5.76	6.45	7.35	11.43	7.86	7.07	12.71	(6.62)	5.26
	FedTrimAvg	12.6	(6.03)	6.5	5.91	6.21	6.05	12.39	7.33	7.46	13.04	6.82	5.43
	Krum	35.77	19.28	10.24	51.03	18.99	11.68	16.23	9.71	7.41	17.73	10.35	7.07
	FedAvg	13.1	6.49	7.38	6.09	(5.69)	5.8	13.17	8.69	9.44	12.73	6.99	6.24
	FedAvgM	12.85	6.37	7.09	5.84	5.84	6.79	12.74	8.7	8.56	12.31	(6.3)	7.11
	FedAdagrad	19.54	8.58	6.82	12.98	6.55	7.18	14.52	9.43	7.83	13.64	6.33	7.32
5	FedAdam	14.27	13.52	11.65	9.55	9.82	11.27	13.96	12.99	13.37	13.6	10.48	9.05
	FedYogi	9.7	6.83	6.2	(5.58)	6.94	4.69	12.49	6.04	(5.18)	13.71	7.27	5.64
	FedMedian	12.47	5.91	6.88	6.35	5.83	6.82	12.1	7.67	9.18	(12.31)	6.67	7.23
	FedTrimAvg	13.32	6.56	6.71	6.32	5.95	6.58	12.97	8.68	9.36	12.37	6.5	6.78
	Krum	33.57	18.88	10.83	38.61	15.48	9.04	16.8	10.82	10.87	17.4	10.76	8.37
	FedAvg	13.91	6.29	7.48	7.29	(5.18)	7.13	13.49	10.47	10.39	12.31	7.21	8.01
	FedAvgM	13.32	6.44	7.82	7.61	5.63	6.28	13.0	9.31	10.62	12.48	7.05	8.93
	FedAdagrad	19.28	8.15	8.22	13.31	8.32	6.84	12.67	8.1	7.26	12.48	8.01	8.31
10	FedAdam	14.77	12.65	8.66	11.65	7.39	8.21	14.86	11.35	11.26	13.86	12.45	11.34
	FedYogi	10.85	8.64	8.09	7.74	6.54	8.38	15.41	12.58	9.18	12.26	9.63	8.99
	FedMedian	12.44	7.02	9.64	6.77	6.56	8.25	12.36	9.8	10.6	12.42	8.65	8.28
	FedTrimAvg	13.31	6.8	7.91	(6.45)	5.52	6.54	12.81	9.54	10.39	(12.11)	(6.77)	(7.5)
	Krum	29.6	18.43	13.73	30.62	15.27	10.45	16.98	13.64	12.93	17.2	12.57	10.61

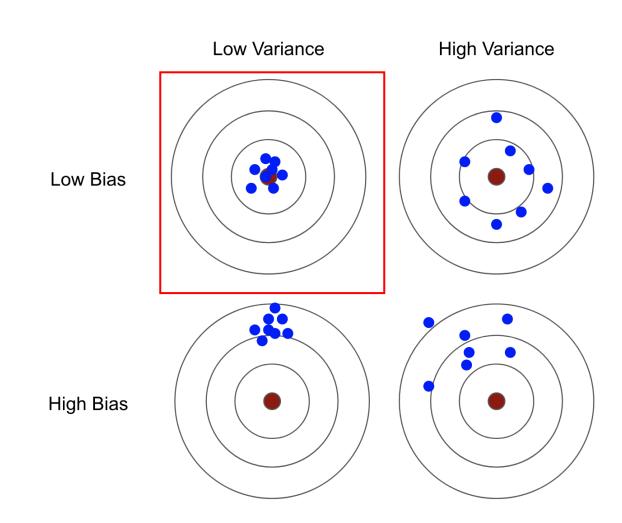
#### Problem Statement.

- Observation: Big variance between aggregation strategies, no good approximation of the baseline.
- Can we decrease the bias? If not, can we at least decrease variance between different runs?



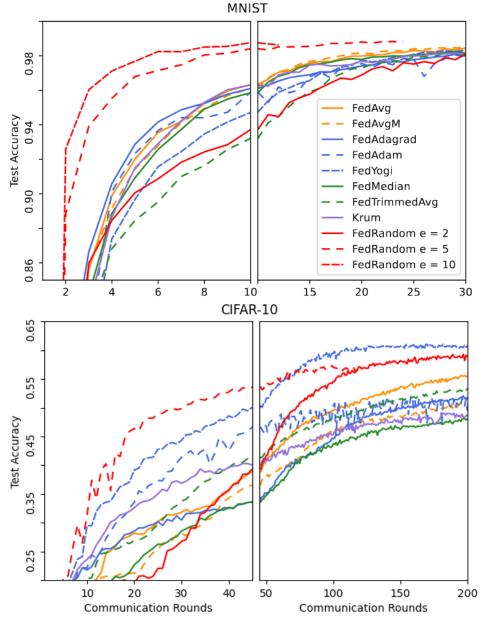
#### Problem Statement.

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# Proposed method.

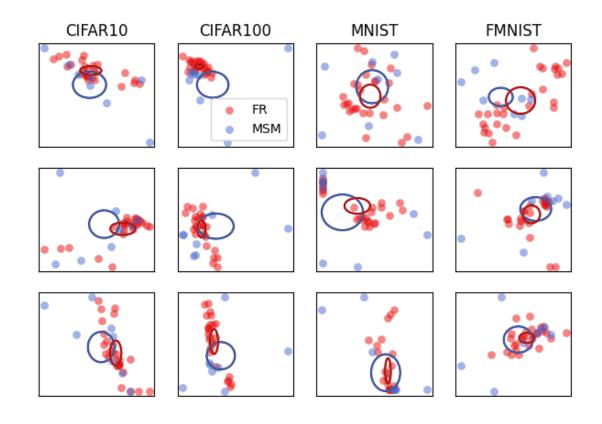
- If we consider different aggregation strategies as noisy samples, can we gain additional information from statistical properties?
- Can we find a method to produce more samples, increasing soundness of our results?
- FedRandom: Samples a random aggregation strategy each round.



Accuracy of different aggregation strategies on two datasets.

#### Results

• **FedRandom** drastically reduces (94% of cases) sample variance. Thus, the contribution values we get from different runs lie closer together than in the baseline aggregation strategies.



			Cifar-10	)	Cifar-100				Mnist		FMnist		
	e a	1	10	100	1	10	100	1	10	100	1	10	100
MSM		0.059	0.056	0.057	0.069	0.064	0.066	0.052	0.06	0.069	0.046	0.058	0.069
FR	2	0.006	0.003	0.005	0.003	0.003	0.005	0.01	0.014	0.014	0.007	0.013	0.016
MSM	5	0.057	0.051	0.067	0.054	0.055	0.059	0.056	0.061	0.072	0.045	0.062	0.072
FR	3	0.006	0.004	0.007	0.002	0.003	0.003	0.012	0.014	0.017	0.01	0.014	0.017
MSM	10	0.05	0.042	0.054	0.05	0.05	0.059	0.057	0.067	0.074	0.047	0.061	0.068
FR	10	0.007	0.006	0.011	0.003	0.003	0.005	0.012	0.015	0.016	0.011	0.015	0.017

Table 1: Average standard deviation in contribution samples generated by MSM and by FedRandom (FR), lower is better. Bold entries are best in column.

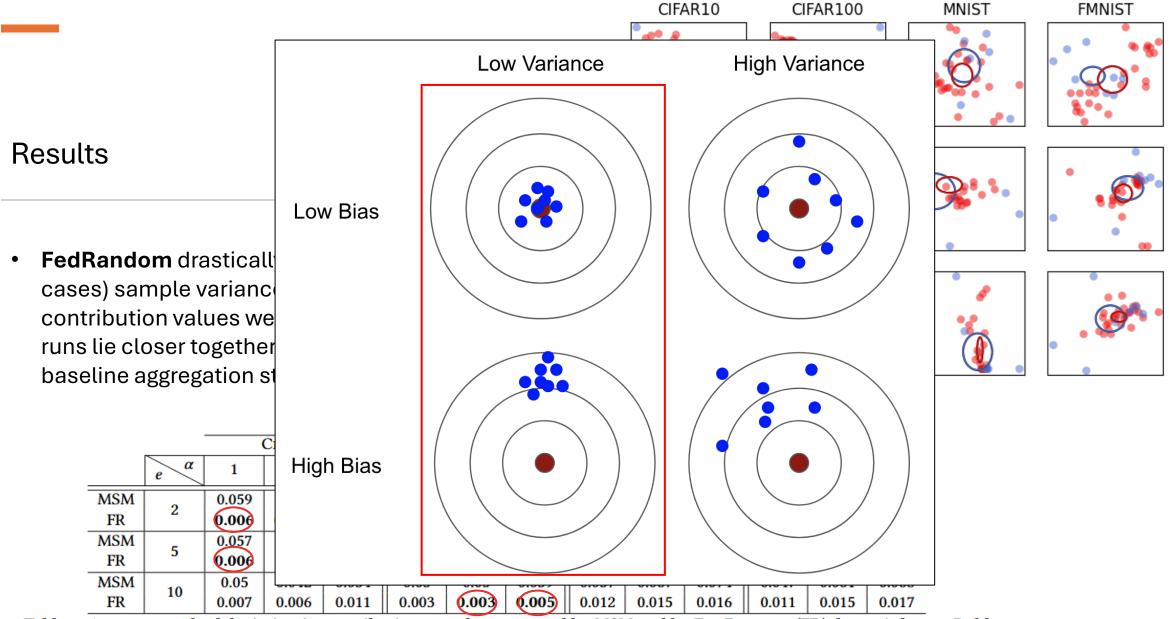
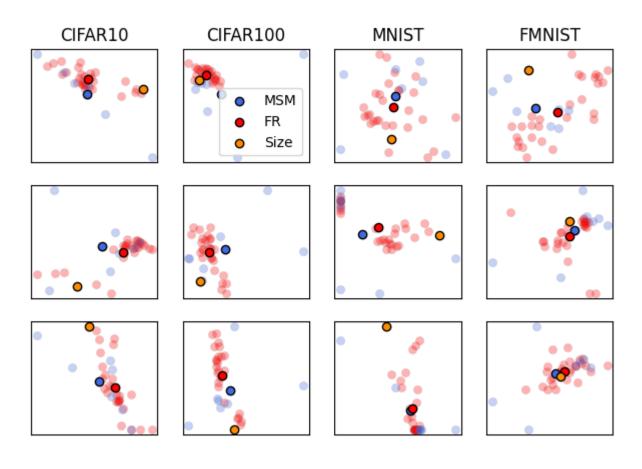


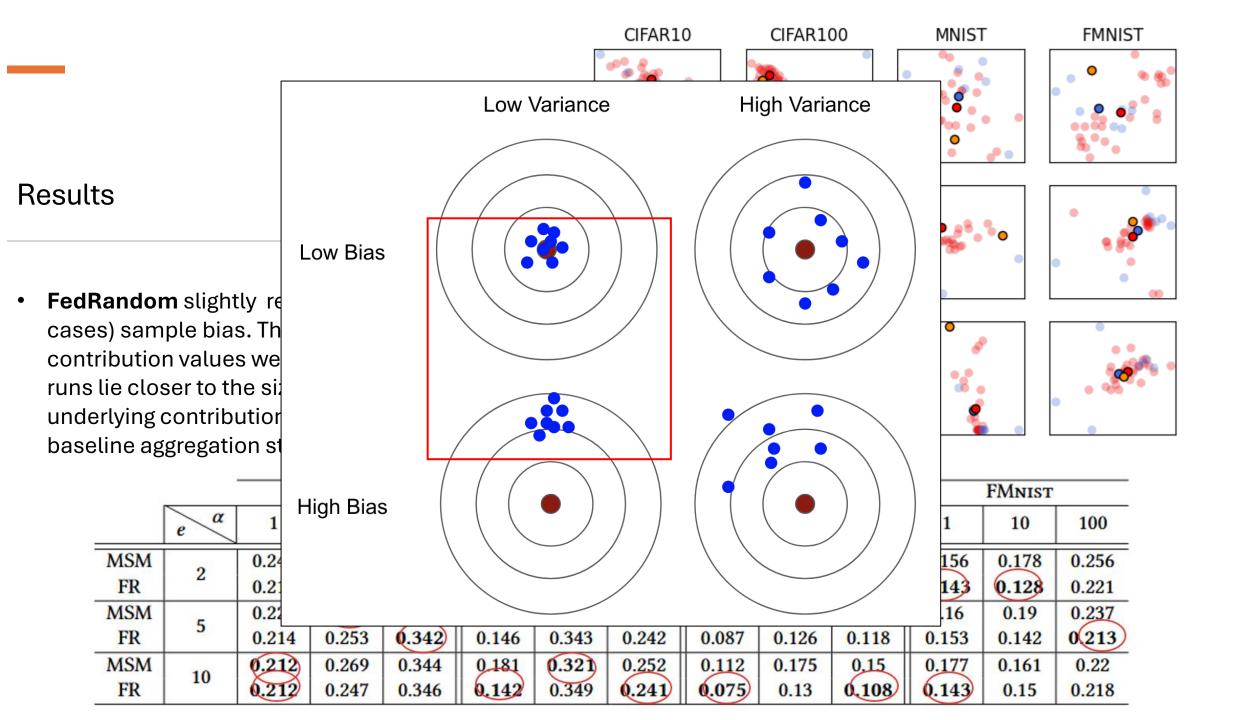
Table 1: Average standard deviation in contribution samples generated by MSM and by FedRandom (FR), lower is better. Bold entries are best in column.

#### Results

FedRandom slightly reduces (83% of cases) sample bias. Thus, the contribution values we get from different runs lie closer to the size-based underlying contributions than the baseline aggregation strategies.

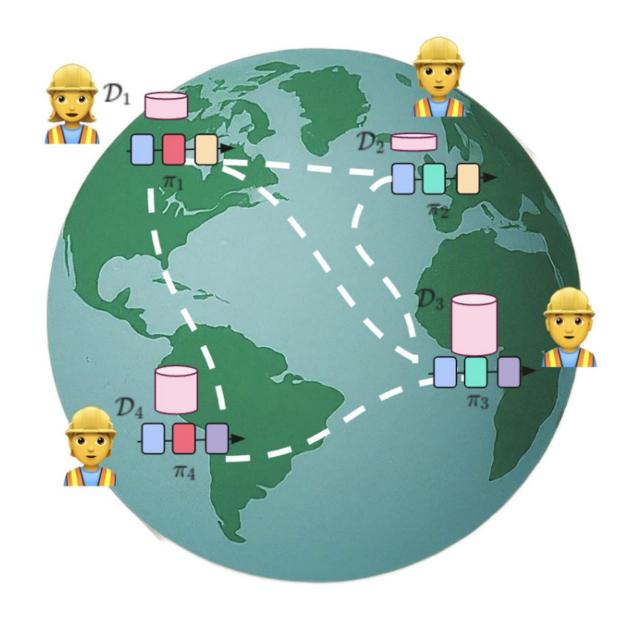


		2	Cifar-10		CIFAR-100				MNIST		FMnist		
	ea	1	10	100	1	10	100	1	10	100	1	10	100
MSM	2	0.245	0.299	0.349	0.206	0.359	0.268	0.147	0.165	0.176	0.156	0.178	0.256
FR	2	0.214	0.26	0.342	0.148	0.346	0.255	0.099	0.12	0.111	0.143	0.128	0.221
MSM	5	0.223	0.245	0.37	0.198	0.344	0.251	0.133	0.201	0.137	0.16	0.19	0.237
FR	5	0.214	0.253	0.342	0.146	0.343	0.242	0.087	0.126	0.118	0.153	0.142	0(213)
MSM	10	0.212	0.269	0.344	0.181	0.321	0.252	0.112	0.175	0.15	0.177	0.161	0.22
FR	10	0.212	0.247	0.346	0.142	0.349	0.241	0.075	0.13	0.108	0.143	0.15	0.218



#### Future work.

- A more extensive study of contribution value instability. More use cases, bigger datasets, more up-to-date models.
- Try to gain an understanding of why contributions vary.
- Introduction of a better stability mechanism which accurately approximates the underlying data values.



# Any questions?

Federated Learning use cases?

Technical details?

Doing a PhD?

Future of Federated
Learning?

Please repeat?