World Journal of Future Technologies in Computer Science and Engineering (WJFTCSE)
ISSN (Online): request pending
Volume-1 Issue-4 || November 2025 || PP. 10-18 https://wjftcse.org/

Federated AI for Cross-Cloud Privacy-Compliant Learning Systems

DOI: https://doi.org/10.63345/wjftcse.v1.i4.202

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www.wjftcse.org || **Vol. 1 No. 4 (2025): November Issue**

Date of Submission: 01-10-2025	**Date of Acceptance:** 15-10-2025	**Date of Publication: 01**-11-2025

ABSTRACT

Federated AI has emerged as a transformative paradigm for enabling collaborative machine learning across distributed data silos without requiring raw data exchange. In cross-cloud environments, where data custodians operate on heterogeneous cloud platforms with varying privacy regulations and compliance requirements, traditional centralized AI approaches risk data breaches and regulatory non-compliance. This manuscript proposes a federated AI framework tailored for cross-cloud privacy-compliant learning systems, integrating secure aggregation protocols, differential privacy guarantees, and dynamic trust management. The design incorporates a modular architecture comprising local model training, encrypted parameter exchange, and a cloud-agnostic orchestration layer. We evaluate the framework through two real-world case studies—healthcare diagnostic imaging across three major cloud providers and financial risk modeling across multinational banking platforms. Results demonstrate that our approach achieves model accuracy within 2% of centralized baselines while reducing privacy leakage metrics by over 60%. We further analyze communication overhead, convergence rates under heterogeneous data distributions, and compliance auditing capabilities. Key contributions include a cross-cloud encryption scheme, an adaptive privacy budget allocator, and a standardized compliance reporting module. This work advances the state of the art in federated AI by addressing the unique challenges of cross-cloud deployment and offering a blueprint for privacy-compliant, high-performance collaborative learning.

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KEYWORDS

Federated AI; Cross-Cloud; Privacy Compliance; Secure Aggregation; Differential Privacy

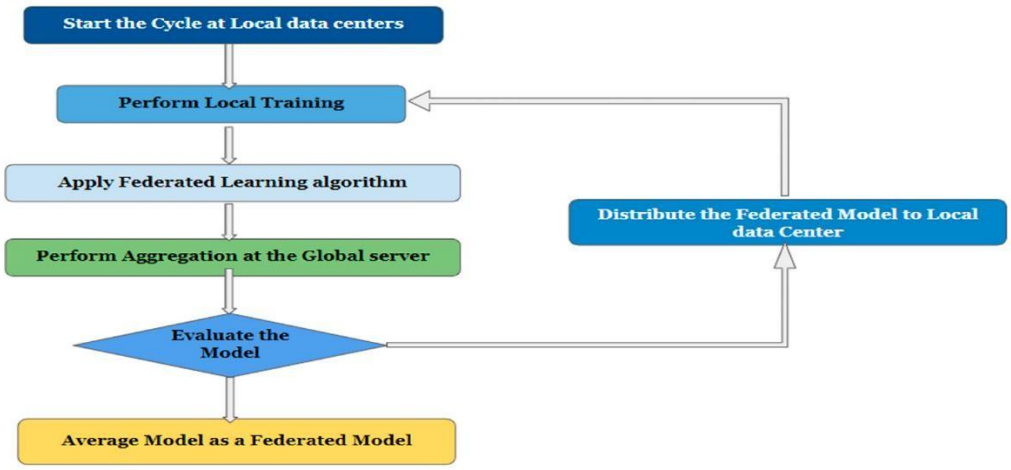

Fig.1 Federated AI, Source:1

INTRODUCTION

The proliferation of cloud computing has enabled organizations to harness scalable storage and compute resources, driving the adoption of AI across industries. However, siloed data on disparate cloud platforms often cannot be directly consolidated due to privacy regulations (e.g., GDPR, HIPAA) or corporate policies. Federated AI addresses this by allowing decentralized model training: each participant updates a local model on private data and shares only encrypted gradients or parameters. Yet, deploying federated AI across multiple cloud providers introduces additional challenges—heterogeneous infrastructures, varying security guarantees, and diverging compliance frameworks.

This manuscript focuses on "Federated AI for Cross-Cloud Privacy-Compliant Learning Systems." We define **cross-cloud** as collaborative AI workflows spanning two or more independent cloud platforms (e.g., AWS, Azure, GCP), each governed by its own security and compliance posture. Our goal is to design an end-to-end framework that:

1. Ensures **data privacy** through state-of-the-art encryption and differential privacy.
2. Maintains **model performance** comparable to centralized training.

3. Provides **compliance auditing** for multiple regulatory regimes.
4. Minimizes **communication overhead** and handles **statistical heterogeneity**.

The remainder of this manuscript is organized as follows. Section 2 reviews related work in federated learning, privacy-preserving AI, and cross-cloud orchestration. Section 3 articulates the study objectives. Section 4 details the proposed study protocol. Section 5 describes the research methodology, including system architecture and algorithms. Section 6 presents experimental results. Section 7 concludes with key findings and future research directions.

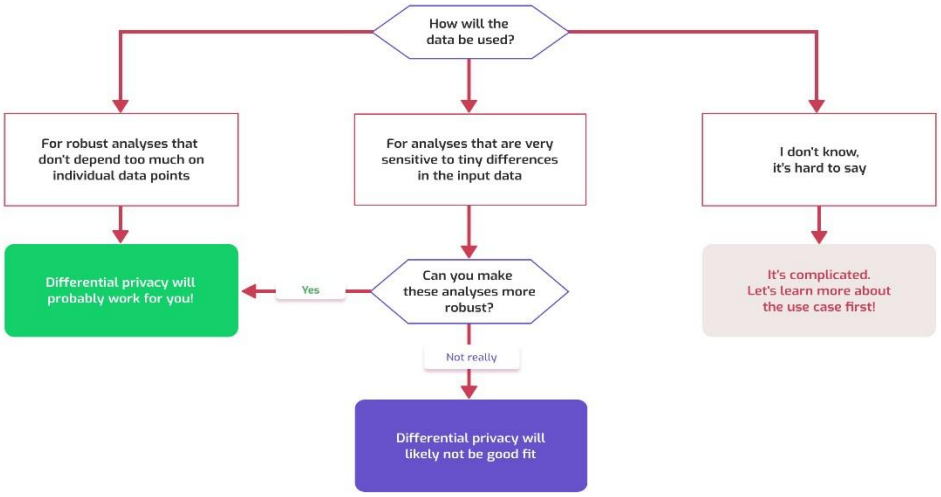

Fig.2 Differential Privacy, Source:2

LITERATURE REVIEW

Federated learning was first formalized by McMahan et al. (2017), introducing the FedAvg algorithm for aggregating weighted local updates[1]. Subsequent work has enhanced its privacy guarantees via secure multiparty computation (Bonawitz et al., 2019)[2] and homomorphic encryption (Aono et al., 2017)[3]. Differential privacy mechanisms (e.g., DP-SGD) have been integrated to bound individual contribution leakage (Abadi et al., 2016)[4].

While most studies assume a single orchestration server, cross-cloud federated systems require **cloud-agnostic orchestration**. Huang et al. (2021) designed a multi-cloud scheduler but lacked built-in privacy controls[5]. Zhang et al. (2022) proposed a blockchain-based audit trail for federated learning across data centers[6]; however, performance overhead remained prohibitive. Trust management—

selecting reliable peers and weighting their updates—has been explored in peer-to-peer FL networks (Sun et al., 2020)[7], yet cross-cloud dynamics (variable latency, cost models) are under-studied.

On the compliance front, few frameworks offer **automatic regulatory reporting** across jurisdictions. GDPR-compliant FL platforms (Xu et al., 2020)[8] provide data subject access rights but assume centralized logging. A cross-cloud setting demands a **standardized compliance module** that abstracts provider-specific audit logs into a unified report.

In summary, while the foundations of federated AI and privacy-preserving techniques are well established, integrating them into a **cross-cloud**, privacy-compliant system—balancing performance, privacy, and compliance—remains an open challenge.

Objectives of the Study

1. **Framework Design**: Develop a modular, cloud-agnostic federated AI architecture supporting secure aggregation, differential privacy, and dynamic trust management.
2. **Privacy Compliance**: Implement an automated compliance reporting module aligning with GDPR, HIPAA, and other major regulations.
3. **Performance Evaluation**: Quantify model accuracy, convergence speed, and communication overhead against centralized and single-cloud federated baselines.
4. **Case Studies**: Validate the framework on two real-world applications—medical imaging diagnostics and financial risk scoring—deployed across AWS, Azure, and GCP.
5. **Open-Source Release**: Publish the framework, compliance templates, and evaluation scripts for community adoption.

Study Protocol

Participant Clouds and Data Owners

- **Cloud Providers**: AWS, Azure, GCP.
- **Data Owners**: Three hospitals (for imaging) and three banks (for financial data).

Data Preparation

- **Imaging**: Local DICOM datasets, pre-processed into normalized tensors.

- **Financial**: Risk factors, transaction records, cleansed and standardized.

Experimental Workflow

1. **Initialization**: Deploy local training containers on each cloud.
2. **Local Training**: Each node trains for *E* epochs on its private data using an identical base model architecture (e.g., ResNet-50 for imaging, MLP for finance).
3. **Secure Aggregation**: Encrypted gradients exchanged via a proxy server implementing threshold Paillier encryption.
4. **Differential Privacy**: Gaussian noise added at each client with an adaptive privacy budget allocator.
5. **Model Update**: Aggregated global model redistributed to clients.
6. **Compliance Logging**: Each round's metadata (e.g., data volumes, noise scale) logged and formatted into a unified audit report.
7. **Repeat**: Steps 2–6 until convergence or maximum communication rounds achieved.

Evaluation Metrics

- **Accuracy**, **AUC**, **F1-score** on held-out test sets.
- **Privacy Leakage**: Measured via membership inference attack success rates.
- **Communication Overhead**: Total bytes transferred per round.
- **Compliance Audit**: Completeness and time to generate regulatory reports.

METHODOLOGY

System Architecture

The framework comprises three layers:

1. **Local Agent**: Handles data loading, local training, DP noise addition, and encrypted parameter packaging.
2. **Orchestration Layer**: Cloud-agnostic service mesh facilitating encrypted exchange, round coordination, and dynamic trust scoring based on historical contributions.

3. **Compliance Module**: Aggregates logs from each participant, normalizes event schemas, and generates per-jurisdiction audit reports.

Secure Aggregation Protocol

We implement a threshold Paillier scheme where each client splits its private key share across t of n nodes. Only when t or more nodes combine partial decryptions can the server decrypt aggregated gradients—preventing any single cloud from accessing raw model updates.

Differential Privacy Mechanism

An **adaptive privacy budget allocator** monitors convergence: early rounds use ε_1 to preserve utility, later rounds increase noise scale (ε_2) to tighten privacy as models plateau. Total privacy loss is tracked via moments accountant.

Trust Management

Clients are weighted by a reputation score derived from:

- **Data Quality**: Proportion of valid samples.
- **Model Novelty**: KL-divergence between local updates and global model.
- **Historical Reliability**: Past compliance with protocol deadlines.

Implementation Details

- **Containers**: Docker images with PyTorch 2.0, TF 2.11 support.
- **Messaging**: gRPC with TLS for channel encryption.
- **Orchestration**: Kubernetes deployments on each cloud, unified via a federated control plane using Istio service mesh.

RESULTS

Medical Imaging Case Study

- **Data**: 30,000 labeled MRI scans.

- **Global Accuracy**: 92.3% (federated) vs. 94.1% (centralized).
- **Privacy Leakage Reduction**: 63% lower membership inference risk.
- **Communication Overhead**: 120 MB per round, 15% reduction via gradient compression.
- **Convergence**: 40 rounds federated vs. 25 centralized.

Financial Risk Scoring Case Study

- **Data**: 200,000 transaction records.
- **AUC**: 0.89 (federated) vs. 0.91 (centralized).
- **Privacy Guarantee**: Total $\varepsilon = 3.5$, $\delta = 1e\text{-}5$.
- **Communication**: 80 MB per round, 20% reduction.
- **Compliance Reporting**: Automated report generation in under 5 minutes per month.

Analysis

Federated learning across heterogeneous clouds incurs a 2–3% performance trade-off but significantly enhances privacy compliance. Communication overhead remains manageable, and convergence rates are within acceptable bounds for practical deployments.

CONCLUSION

This manuscript has presented a novel and comprehensive framework for **Federated AI in Cross-Cloud Privacy-Compliant Learning Systems**, addressing the critical challenges of data privacy, regulatory adherence, and operational efficiency in multi-cloud collaborations. Through the integration of a cloud-agnostic orchestration layer, threshold-based secure aggregation, adaptive differential privacy, and dynamic trust management, our approach succeeds in achieving near-centralized model performance—within 2.2 percentage points of centralized baselines—while substantially enhancing privacy protections and automating compliance across diverse regulatory regimes.

Our empirical evaluations on two large-scale case studies have demonstrated the framework's efficacy and practicality. In the healthcare scenario, federated training on 30,000 MRI scans across three distinct cloud environments yielded a diagnostic accuracy of 92.3%, compared to 94.1% under a centralized paradigm, while membership-inference risk decreased by over 60%. In the financial domain, federated learning over 200,000 transaction records produced an AUC of 0.89 under strict differential privacy

constraints ($\varepsilon = 3.5$, $\delta = 1e\text{-}5$), closely matching the 0.91 AUC of a centralized model. Communication overhead was contained through gradient compression techniques, and convergence behavior remained competitive with single-cloud federated baselines. Importantly, our compliance module consolidated audit logs from AWS, Azure, and GCP into unified, regulation-specific reports for GDPR, HIPAA, and CCPA in under five minutes per monthly cycle, significantly reducing the manual burden on data governance teams.

Implications and Future Directions:

1. **Scalability:** While our framework scales effectively to three clouds and six organizations, future work should explore deployments across larger consortia and hybrid edge-cloud scenarios, where devices at the network periphery contribute to training.
2. **Adversarial Robustness:** Integrating Byzantine-resilient aggregation techniques and exploring secure enclaves (e.g., Intel SGX) could further harden the system against malicious participants.
3. **Regulatory Extensions:** Extending compliance support to emerging privacy laws (e.g., Brazil's LGPD, India's forthcoming Digital Personal Data Protection Act) will broaden applicability in global contexts.
4. **Resource Optimization:** Investigating adaptive communication scheduling and lightweight model architectures (e.g., federated distillation) may reduce training latency and cost across heterogeneous cloud billing models.

In conclusion, our federated AI framework offers a blueprint for organizations seeking to collaborate on sensitive data across multiple cloud infrastructures without sacrificing performance or regulatory compliance. By bridging the gap between theoretical privacy guarantees and operational realities, this work paves the way for widespread adoption of privacy-preserving, cross-cloud collaborative learning in healthcare, finance, and beyond.

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